The 2001 ACOA Trade ToolKit

NEWFOUNDLAND
& LABRADOR

Atlantic Canada Opportunities Agency/
Agence de promotion économique du Canada atlantique

PREFACE

Welcome to the Atlantic Canada Trade ToolKit. The ToolKit has been designed to meet the needs of ACOA Account Managers as they take on their new responsibilities in preparing businesses in Atlantic Canada for export markets. The ToolKit consists of three components:

- ***The Atlantic Canada Trade ToolKit*** - The main ToolKit is divided into three sections:
  - ***Part 1*** describes ACOA's role in international trade and discusses the Account Manager's responsibilities.
  - ***Part 2*** describes the seven steps to export readiness and how you can help your clients prepare themselves for the international marketplace.
  - ***Part 3*** touches on three areas of critical importance to the new to export company, 1) the ins and outs of getting paid, 2) export logistics, or how to actually move the product to market and 3) the role of trade shows for the new exporter. This section will help you answer questions that go beyond export preparedness but are commonly posed by companies unfamiliar with exporting.

- ***The Atlantic Canada Trade ToolKit Summary Booklet***- As you become more familiar with international trade you may wish to use the Summary Booklet to jog your memory regarding critical issues. The Summary Booklet has also been designed to be easily photo-copied so relevant sections can be given to your clients.

- ***The Atlantic Canada Trade ToolKit Reference Portfolio***- If you wish to seek more information on a certain subject area, we have provided internet links to a variety of government and private sector web sites for your reference. These are referenced in the main ToolKit.

We hope you find the Atlantic Canada Trade ToolKit useful in your day to day work. If you have any suggestions as to how it might be improved please contact the Director of Trade and Investment at Head Office in Moncton. The ToolKit will be updated on a regular basis and we would welcome your suggestions.

Table of Contents

Part I The Trade ToolKit and ACOA Account Managers

- Chapter 1, Introduction 1
- Chapter 2, Exporting and Your Clients 6
- Chapter 3, The Account Manager's Role in International Trade Development 10

Part II The Steps to Export Readiness

- Chapter 4, Assessing Export Potential 13
- Chapter 5, Step One: Management Commitment 15
- Chapter 6, Step Two: The Domestic Track Record 17
- Chapter 7, Step Three: Market Planning 19
- Chapter 8, Step Four: The Finance Equation 23
- Chapter 9, Step Five: The Right Product/Service 28
- Chapter 10, Step Six: Gearing Up Production 33
- Chapter 11, Step Seven: Management Knowledge 37

Part III Moving Forward, Preparing to Export

- Chapter 12, Getting Paid for Exports 46
- Chapter 13, Logistics and International Trade 54
- Chapter 14, Trade Shows and the New to Export Company 58
- Chapter 15, The Trade Commissioner Service 63

Appendices

- Appendix A, Canadian Websites Offering Services on Export Market Development 66
- Appendix B, How to Prepare and Export Marketing Plan 76
- Appendix C, Export Costing Sheet 81
- Appendix D, "TradeSpeak", A Glossary of Important Acronyms and Terms in International Trade 87
- Appendix E, Government Trade Development Programs Available in Atlantic Canada 90
- Appendix F, Selected Papers on the Subject of Exporting 93

Atlantic Canada Trade ToolKit, Summary Booklet

- 1.0 The Ten Commandments of Exporting 111
- 2.0 Assessing Export Potential, A Diagnostic 112
- 3.0 Developing an Export Marketing Plan 115
- 4.0 Getting Paid 117
- 5.0 Trade Shows and the New To Export Company 118

Part 1 The Trade ToolKit and ACOA Account Managers

Chapter 1 Introduction

1.0 Why Should You Use This ToolKit?

Atlantic Canada has a problem and an opportunity. In 1999, we exported goods valued at $14.0 billion or roughly 26% of our Gross Domestic Product (GDP). Sounds good? It's not. In the same year, Canada as a whole exported goods valued at over 37% of the country's GDP. As well, almost 60% of Atlantic Canada's exports were accounted for by a handful of multinational pulp and paper companies, Irving Oil and Michelin Tire. Our traditional seafood exports accounted for much of the rest. Atlantic Canada clearly lags behind the rest of the country in export growth and diversification.

Is this important? Are we missing something? Absolutely! Since the late 1980's exports have been the engine of growth in the Canadian economy. In the past year, Canadian exports rose from $360.6 billion in 1999 to $417.7 billion in 2000, an increase of more than $57 billion. It is estimated that every $1 million in export sales generates 8 to 11 new full-time jobs. Using this yardstick, export growth in Canada has created roughly 525,000 new full-time jobs in the last year alone. Has Atlantic Canada created its share of export jobs? No. Is the time ripe for us to do so? Absolutely. Atlantic Canada has not had this type of opportunity since national economic policies limited our access to offshore markets over a hundred years ago.

Consider. In 1988 we signed the Canada-U.S.A. Free Trade Agreement (CUSTA) with our American neighbours. The huge natural markets available to Atlantic Canadian entrepreneurs became instantly more accessible and north-south trade could flourish. In

1993 the North American Free Trade Agreement (NAFTA) added 80 million Mexican consumers to the Canada-U.S. trading bloc. Finally, in 1995 the final round of the General Agreement on Tariffs and Trade (GATT) concluded and the World Trade Organization (WTO) was born. Tariffs and non-tariff barriers around the world fell immediately and will continue to fall through 2001. In short, the world trading system today is the most open its been since governments first started taxing imports two thousand years ago.

Exports by Province, 1999

Province	Merchandise Exports ($Millions)	Exports as % of GDP (income-based)
New Brunswick	6,199	33.7
Nova Scotia	4,080	18.2
P.E.I.	575	19.2
Newfoundland	2,998	24.8
Atlantic Canada	13,853	24.8
Canada	355,016	34.2

What does this mean to ACOA account managers? You have a unique opportunity to participate in what should, and must, become a renaissance in trade in the region. The trade development role of ACOA and its Account Managers, described in the next section of the ToolKit, is to ensure that small and medium sized enterprises (SMEs) in Atlantic Canada are export ready. We must develop a class of entrepreneurs to whom trade and marketing is as much a part of their day to day business as product development, operations, finance, technological innovation and paying the telephone bill. We must develop SMEs who view trade as an integral part of their business plan no different than servicing the client down the street. We can't afford not to seize the opportunity presented to us. You have an important role in making sure the region once again assumes its role as a focal point of trade in Canada and North America.

1.1 ACOA's Role in Trade Team Newfoundland

The "Trade Team Newfoundland" concept was developed in early 1995 as part of the larger Trade Team Canada process. Buoyed by the success of the Team Canada missions abroad (led by the Prime Minister), the federal and provincial governments agreed to create regional trade networks. These are designed to provide effective, efficient service from all levels of government to capitalize on rapidly changing global opportunities. By pooling expertise and resources, the partners in Trade Team Newfoundland provide services that complement and strengthen each other and reduce overlap and duplication.

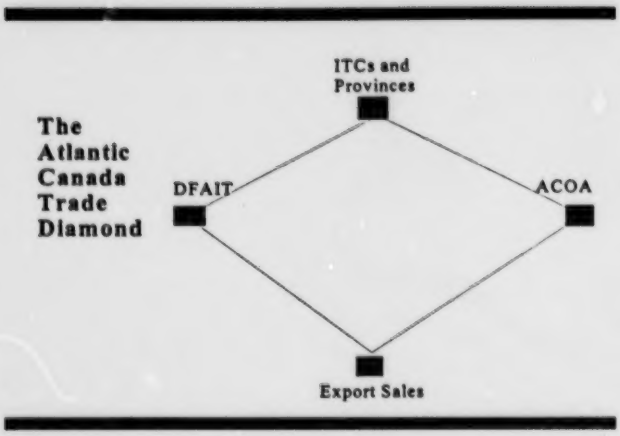
Canada's International Business Strategy (CIBS)

The CIBS is a key part of the federal government's Team Canada strategy. Prepared annually, the CIBS is a major planning document that lays out the country's trade development strategy for the coming year. Both the private sector and all levels of government contribute in the preparation of the document which is coordinated by DFAIT. Three major components comprise the CIBS:

- *an Overview which summarizes Canada's main trade policy and international business objectives;*
- *twelve industry sector strategies; and*
- *a list of specific activities which are planned in support of the sector strategies.*

The CIBS is a key element in understanding where Canada is going as a trader and how your clients can fit into the strategies and activities planned for the coming fiscal year. The entire document can be accessed at the DFAIT Internet web site, http://www.dfait-maeci.gc.ca/english/trade/cibs/english/menu.htm

In Atlantic Canada this has meant an expanded trade role for ACOA. In cooperation with other government departments such as Industry Canada, the Department of Foreign Affairs and International Trade (DFAIT), Agriculture and Agri-Food Canada (AAFC) and the provincial economic development departments, ACOA has assumed a major role in exporter preparation. To use a baseball analogy, the Atlantic Canada Trade Diamond has ACOA's role as getting SMEs in the region to first base, i.e. export ready. The regional International Trade Centers (ITCs) and the provincial governments have a primary role in getting them to second base, i.e. taking the export ready firm and helping them select and investigate markets. Finally, DFAIT, through its network of overseas posts and trade specialists in Ottawa, helps them to third,



the actual business of exporting goods and services. All the Trade Team Newfoundland partners assist in getting the SME to the rewards at home plate, export sales. **ACOA's role as first base coach is perhaps the most important.** As in baseball, its very hard to score runs if you can't get to first base. The Agency's role, however, does not end with an export ready company. As officials in constant, direct contact with your private sector clients you have a responsibility throughout the export process to ensure your firms are receiving the of service they require from the other Trade Team Newfoundland partners. You are involved all the way to home plate.

ACOA's role in international trade is one part cheerleading, one part hand holding and one part education. Cheerleading involves getting the SME excited about the prospects of international trade. This can be as simple as telling them about the opportunities that exist and giving them examples of how many successful international traders in the region have literally started as one person operations in someone's basement. An example would be Fredericton's Knob Hill Galleries which Catherine Karnes Munn has built up into a million dollar a year exporter from her basement. Hand holding involves giving potential exporters a sympathetic ear and helping them through the first few stages of the export process. Once started, exporting is like riding a bicycle, you never forget how. The first few lessons, however, can result in bruised shins and a fragile ego. Finally, education involves giving clients the tools to become successful exporters. First and foremost SMEs need to know what it takes to become export ready.

The Trade ToolKit will give you some of the tools you need to assist your clients. The sections which follow talk about what exporting can do for the SME, the challenges of

export marketing and your role as facilitator. The bulk of the ToolKit leads you through the process of assisting a company to become export ready, the first step in making the export sale.

Trade Team Newfoundland

ACOA in Newfoundland is part of Trade Team Newfoundland. A quick list of key Trade Team Newfoundland contacts follows:

• *ACOA*	*Paul Maher, Account Manager* *Tel:709-772-0163* *E-mail: pmaher@acoa-apeca.gc.ca*
• *International Trade Centre, Industry Canada (DFAIT)*	*Patricia Hearn, Senior Trade Commissioner,* *Tel: 709-772-4866* *E-mail: hearn.patricia@ic.gc.ca*
• *Department of Industry, Trade, and Rural Development*	*Paul Morris, Director, Trade and Investment* *Tel: 709-729-2781* *E-mail: pmorris@mail.gov.nf.ca*
• *Department of Industry, Trade, and Rural Development*	*Cori-Jade Radford, Manager, Trade and Marketing* *Tel: 709-729-1975* *E-mail: cfradford@mail.gov.nf.ca*
• *Agriculture and Agri-Food Canada*	*Al McIsaac, Deputy Director* *Tel: 709-772-0330* *E-mail: mcisaaca@em.agr.ca*

Chapter 2 Exporting and Your Clients

2.0 Export as an Integral Part of the Business Plan

Exporting is critical to the economic health of Atlantic Canada. Increased exports mean business growth and business growth means more jobs. Yet, only a small percentage of potential exporters take advantage of these opportunities. It is critical for SMEs to think globally. In fact, many firms that think they do not participate in the export market are already competing internationally- with the foreign owned firms that operate in the Atlantic Canadian market. In reality, the division between domestic and international markets is becoming increasingly blurred as Canada integrates more fully in the North American and world economies. Businesses which ignore the international marketplace do so at their peril. Export marketing must become second nature to firms in the region and an integral part of their business planning.

2.1 What Can Exporting Do for Your Clients?

Why do companies export? We'll discuss a number of reasons below but the basic answer is to make money, always. For many Atlantic region SMEs the export marketplace offers the single biggest opportunity they have for increased sales and profitability. DAK Industries Inc. of Saint John, for example, knew they had designed a great line of corporate premiums, easily imprinted golf bag covers. They also knew these products would only be of interest to firms with large sales forces, i.e. primarily U.S. based companies. Using innovative direct mail marketing techniques they have built a significant and growing market in the U.S. The owners would likely never have launched their company if they had looked only at the Canadian market.

Why Do Companies Export?

- *To increase profitability*
- *To enhance domestic competitiveness*
- *To diversify markets and risk*
- *To gain economies of scale*

- **Increasing sales and profitability** is an obvious incentive for entering export markets. Here are some others:
- **Enhancing Domestic Competitiveness-** Many firms operating only in the domestic marketplace can become complacent and out of touch with what is happening in their industry. Those that export find themselves competing with the best the world has to offer. As a result, they have to work hard to keep their product or service world class. This not only makes them competitive in export markets, but helps them compete successfully in their own back yard.
- **Diversifying Markets-** Companies which have depended solely on Atlantic Canadian markets for the last few years know how hard its been to survive through recession and the "jobless" recovery. Companies that market internationally can take advantage of the fact that many export markets have booming economies when the Canadian economy is flat. Firms exporting to those regions have done much better than those tied solely to the Canadian economy.
- **Gaining Economies of Scale-** The 2.3 million widely scattered people that comprise the Atlantic Canadian economy offer a relatively small and difficult to serve market for our SMEs. Companies operating solely in the region generally find it difficult to produce on a scale that allows them to take the best advantage of their production and people resources. Firms which have expanded to export markets, however, are often able to increase sales to the point where they achieve significant economies of scale that allow them to compete more effectively both domestically and internationally.

Clearly the export market offers significant opportunities for your clients.

2.2 What's the Catch?

While exporting unquestionably presents a unique opportunity and challenges for most companies there are some key issues which much be recognized. They include:

- exporting involves many short term costs such as extra travel, production of new brochures and, maybe, hiring of additional sales staff. Firms looking for immediate profits will probably be disappointed;
- financial risks can be higher although many options exist to reduce or eliminate foreign payments risk;
- extra paperwork is required to meet the needs of Canadian and foreign governments;
- products or packaging may have to be modified for foreign markets; and
- companies that lack exporting skills will not be ready to fully benefit from the increased opportunities.

While the issues noted above may justify a decision by some companies to forego exporting at the present time, most can be dealt with by careful planning and export education.

The Ten Commandments of Exporting

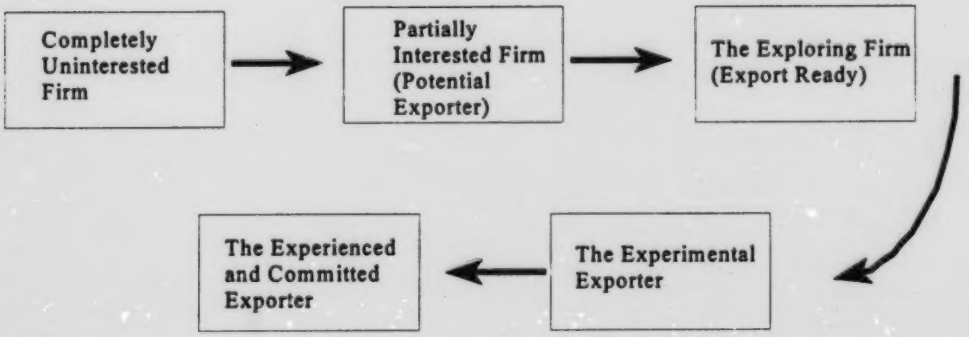
1. *Develop a thorough export marketing plan and make it an integral part of the overall business plan.*
2. *Commit dedicated resources to the export drive.*
3. *Never give your export partners second class treatment.*
4. *Choose your export partners with care.*
5. *Focus on specific markets and opportunities, don't take the shotgun approach.*
6. *Consider the export market of equal importance relative to your domestic market.*
7. *Modify products and services to meet the needs of the offshore client.*
8. *Be aware of the differences between Canada and its culture and language and those of your target market.*
9. *Use export specialists, don't try to do everything yourself.*
10. *Look for new ways to do things, don't assume the methods tried and true in Canada will work overseas.*

Chapter 3 The Account Manager's Role in International Trade Development

3.0 The Export Process

Firms generally pass through five stages on the way to becoming experienced and committed exporters. At each of these stages they require different levels and types of assistance.

The Export Process


Completely Uninterested Firm
Partially Interested Firm (Potential Exporter)
The Exploring Firm (Export Ready)
The Experimental Exporter
The Experienced and Committed Exporter

The ***completely uninterested*** firm needs basic information of the benefits of exporting. At this stage the Account Manager should be identifying firms with export potential. The ***partially interested*** firm also needs information on export but is now ready for assistance in becoming export ready. This is where exporter preparation takes place and ACOA can have a major impact. The ***exploring firm*** needs practical information on market research and market entry and should be export ready. At this point Account Managers should be assisting their clients take advantage of the services of the other Trade Team Newfoundland partners. The ***experimental firm*** needs assistance in actually

visiting export markets and making the sale while the ***experienced and committed*** exporter needs help with market access and expansion of markets. In the Trade Team Newfoundland concept, a federal or provincial government department is there to help our SMEs each step of the way. ACOA takes the lead in helping firms through the first two stages of the export process to the point where they are export ready.

The Department of Foreign Affairs and International Trade (DFAIT)

DFAIT is the lead federal department responsible for Canada's International trade and export development. One third of DFAIT's staff is devoted to trade development and economic policy. The Department's main responsibilities include:

- *enhancing access to foreign markets through bilateral and multilateral agreements;*
- *expanding Canada's share of export markets; and*
- *providing programs and support to Canadian companies in developing export markets and obtaining foreign investment and technology.*

The most visible of DFAIT's services is the Trade Commissioner Service which staffs trade development sections in over 100 Canadian missions overseas as well as providing personnel and support to the International Trade Centres across Canada. Geographic and trade development bureaux in Ottawa supplement the work done overseas and in the regional offices.

3.1 The Account Manager as Trade Facilitator

Account Managers play a key role in the development of new exporters in Atlantic Canada, particularly among SMEs. Account Managers are in daily contact with these firms and have a unique perspective on their business activities, opportunities and challenges.

How can the Account Manager facilitate trade development? By assisting firms to become export ready you enable them to take advantage of the services provided by your Trade Team Newfoundland partners. For years Trade Commissioners have noted that many Canadian firms seeking assistance from trade posts overseas or the International Trade Centers (ITCs) in Canada are simply not ready to be pursuing export markets. As a result firms were wasting scarce time and people resources seeking contracts in countries they were not fully prepared to serve. The solution to this problem is to ensure firms looking for support from Trade Team Canada overseas are ready to tackle export markets. The role of exporter preparation in Atlantic Canada has been given to ACOA.

What specific role do you play? In your day to day activities you come into contact with many SMEs. To move them along in the export process and to fulfill your mandate to prepare export ready firms you can extend your mentoring role to include working with firms on their export readiness. In the sections which follow we will take you through a seven stage approach to export readiness. In the process of analyzing the business needs of your clients you should be able to use this seven stage approach to identify their specific export readiness needs. Once you have identified areas which need work you can tap into the resources of ACOA, the other Trade Team Newfoundland partners and private sector suppliers to provide the assistance your clients require to become successful exporters. As we go through the ToolKit we will suggest sources that are available for you and your clients to help the process along. Remember, exporting is like riding a bike. The first few times you use the ToolKit to assist clients, it may be difficult. The more practice you get the more it becomes second nature. That's what we hope exporting will become to more and more Atlantic Canadian firms. For more information on exporting, the ACOA web site has been upgraded and should serve as a ready reference to the subject of export preparedness.

Industry Canada and the International Trade Centres

Industry Canada has industry marketing branches located in Ottawa and in regional offices throughout the country. The industry marketing branches counsel and assist industry in the manufacturing, processing, tourism and selected service sectors to pursue international marketing opportunities.

In Atlantic Canada exporters would most often be in touch with the International Trade Centers located in the Industry Canada regional offices. The ITCs are a joint venture of Industry Canada and DFAIT and are co-managed by the two departments. Trade Commissioners assigned to the ITCs have a mandate to assist export ready firms in pursuing and opening new markets. They do this through a range of export counseling activities and by acting as a conduit to the services of Trade Commissioners stationed in Ottawa and Canadian missions overseas.

Part 2 The Steps to Export Readiness

Chapter 4 Assessing Export Potential

4.0 The Seven Steps to Export Readiness

Part 2 of the ToolKit looks at the factors that influence export readiness. Socrates once said, "The unexamined life is not worth living." The same maxim can apply to a firm thinking about the export market. Firms need to take a careful and objective view of the readiness of their organization and product or service to succeed in the export market. A logical systematic view of the resources and goals of the SME can launch them in the right direction for the export market.

All companies considering export marketing will have to consider these key factors to assess their export readiness? They can be summarized as follows:

1 ***Management Commitment***, has the owner or senior management of the company set clear objectives and undertaken a firm commitment to pursuing the export market and are they prepared to allocate sufficient company resources and personnel to achieve these objectives.

2 ***Domestic Track Record***, does the company have a strong domestic service base with a market tested product or service, an ability to adapt product design and an established cash flow to support an export drive.

3 ***Market Planning***, does the firm have a sound business plan and well researched export market plan..

4 ***The Finance Equation***, has the firm developed an objective, well researched and achievable financial plan to support its export drive.

5 ***The Right Product/Service***, has the firm a product or service suited for export markets, can it be readily adapted to meet cultural preferences or mandatory technical standards in foreign markets.

6 ***Gearing Up Production***, does the company have a production plan that will allow it to meet the demand of the export market effectively.

7 ***Management Knowledge***, is there export experience in the SME. If not, is the company prepared to train or hire additional staff to support the export initiative?

If you can help a company address each of these areas satisfactorily your client will be well on its way to being successful in the export market. In the next seven chapters we will address each of the seven steps to export readiness in more detail.

Chapter 5 Step One to Export Readiness, Management Commitment

Experts agree that commitment from management is the number one determining factor in export success. Many firms enter the export market for the wrong reasons, for example; the owner likes to travel, business at home is bad or there was a production overrun and the idea arises to dump the product overseas. A firm seeking to export for any of these reasons will not achieve long term success. Management must have solid established objectives for pursuing the export market.

Exporting should be considered an extension of their domestic marketing program. Commitment to the export market involves management allocating funding to support the program, setting aside time to manage the program and assigning specific people to carry out the export program. Successful exporters demonstrate to their offshore clients they are serious about their business by making sure they have set aside the resources necessary to make it easy for their customers to do business with them. In short, the company must allocate both company and personnel resources sufficient to demonstrate to potential export clients they are serious about seeking their business.

Management must also be prepared to set aside short term profits for the generally longer term gains of the export market. This can be a difficult concept for many SMEs to accept. New market development, however, is a difficult process in either the domestic or export markets. Culture, language and differences in business systems can extend the process in the international market. Firms must accept this wait in return for the significant benefits of successful export marketing. Exporting must become an integral part of the firm's everyday business plan. (The business-to-business and business-to-consumer opportunities available on-line confirms the need for the company to be fully prepared.)

A checklist of management commitment issues appears on the following page.

Management Commitment Checklist

- ☐ *Does senior management understand the benefits and costs of exporting?*
- ☐ *Has senior management developed clear goals and objectives for the export drive?*
- ☐ *Is senior management willing to devote a significant amount of time to the export market?*
- ☐ *Has senior management clearly identified individuals in the company who will be responsible for export marketing?*
- ☐ *Is management prepared to allocate sufficient funding to support the export drive?*
- ☐ *Is management prepared to wait for the benefits of export marketing to be realized?*

Walk your clients through the checklist above. If you are very familiar with the company you may be able to answer many of the questions yourself. It is, nevertheless, useful to discuss each of these issues with senior executives of the firm to ensure they understand that exporting is not a part time occupation, it must be a firm company commitment backed by significant resources.

Chapter 6 Step Two to Export Readiness, The Domestic Track Record

While the exception proves the rule, it is unusual for a firm to be successful in export markets if it has not already proven itself at home. There are many reasons for this, the most important of which may simply be credibility. While IBM and McDonalds have company names known around the world, no Atlantic Canadian SMEs can make the same claim. A good track record in the region or the rest of Canada, however, allows the small firm to provide an offshore customer with a list of satisfied clients who can vouch for the firm. This is important in many parts of the world where business people will likely have no idea of where Atlantic Canada is, much less an appreciation for the quality of our goods and services.

A second reason for starting from a secure domestic base is to ensure the product or service actually has broad acceptance. Products which have received a healthy market response in Canada may do just as well in other countries with similar market conditions. Marketing domestically also allows the company to identify the strengths and weaknesses of a product or service and determine how it is best positioned in the marketplace. Domestic experience can identify the competitive advantages that might be equally applicable offshore. Attempting to roll out an untested, new product or service in an export market can be a recipe for short term disaster and a loss of credibility in the market for many years.

As noted above, management must devote significant time and effort to this new export program. If the domestic operation is not functioning smoothly this will distract from the export effort and limit the amount of resources devoted to developing an export program. In a small firm where one or two people typically manage most of the operations of the company, this can result in lost export opportunities.

Finally, while we talk about the financial aspects of exporting in Chapter 8, it is important to note at this stage the importance of having a secure domestic cash flow to fund the export drive. Exporting can be expensive. Canada is one of the cheapest

countries in the world in which to do business. Contrast the $100 a night hotel room in Toronto with the $200 a night room in Boston and the $400 a night room in Paris. Think of $10 cups of coffee in Tokyo and $8 Big Macs in Köln. The costs of exporting can add up and domestic operations will normally have to support the export side for the often extended period of time it takes to realize export profits. If the domestic business is not healthy where will the cash come from? Presented below is a checklist for determining critical components of the domestic track record.

Checklist of Export Critical Components in the Domestic Track Record

- ☐ *Does the firm have a proven, market tested product or service?*
- ☐ *Can the firm point to reputable domestic customers that will vouch for the quality of their product or service?*
- ☐ *Is the cash flow produced by domestic operations sufficient to support the company's export operations for the time required to make them profitable?*
- ☐ *Is the organization's domestic operation well enough established to continue to thrive while management time is directed to the export market?*

The export ready company should be able to answer yes to each of the questions noted above. If they are unable to do so they may not be able to sustain an export drive.

Chapter 7 Step Three to Export Readiness, Market Planning

When assisting clients in developing overall business plans, Account Managers should also draw the client's attention to the need for a solid export marketing plan.

Many companies begin exporting activities in a haphazard manner without screening markets or looking at the various market entry options. While some of these firms may have limited, short term success, they may overlook more exciting export opportunities. As well, early export ventures that fail because of a lack of planning may lead the company to decide the export market is too difficult and abandon it altogether. Formulating an export strategy based on good information and objective assessment increases the chances that the best options will be chosen, resources will be used effectively and the results will lead to a solid bottom line.

Good market planning need not involve hiring a consultant and producing a 400 page report that ends up propping open the office door. In fact, it is critical to involve the SME's employees in developing an export plan. This may be difficult to do if an outsider is hired. The first draft of an export plan should, in fact, be quite simple. The plan should be used to assemble facts, constraints and goals and create an action statement that takes all of these into account. The plan can become more complex as the firm learns more about exporting and expands into additional markets.

Industry Associations Worth Knowing

Industry associations can be helpful to both you and the potential exporter. They are often able to provide the exporter with information useful to their marketing activities and can provide a useful forum for networking. Some national and regional associations of interest are:

-Canadian Manufacturers and Exporters
(905) 568-8300 (National Office)
(506) 857-3056 (N.B.)
(709) 772-3682 (Nfld.)
(902) 422-4477 (N.S.)
(902) 629-1555 (P.E.I.)
www.the-alliance.org
-Canadian International Freight Forwarders Association
(416) 234-5100
www.ciffa.com
-Canadian Society of Customs Brokers
(613) 562-3543
www.cscb.ca
-Canadian Chamber of Commerce
(613) 238-4000
www.chamber.ca
-Canadian Importers Association
(416) 595-5333
www.importers.ca
-Canadian Federation of Trading House Associations
(514) 286-9615
www.caftha.ca
-Atlantic World Trade Centre
(902) 428-7233
www.tradecentrelimited.com/wtcc/

Checklist of Market Planning Issues

- ☐ *Does the firm have a written export market plan?*
- ☐ *Was the export market plan developed with input from all relevant staff members?*
- ☐ *Does the market plan include specific, quantifiable objectives?*
- ☐ *Has provision been made in the plan for contingencies and feedback?*
- ☐ *Have specific markets been selected?*

A clearly written export marketing plan offers many benefits. Written plans display strengths and weaknesses readily and allow the SME to more easily formulate strategy. The plan should clearly set out the company's objectives in the export market in dollars and cents terms. It should also identify specific target markets and how the company plans to deal with problems. A plan set out in black and white is not easily overlooked by those charged to execute it and changes will be the result of deliberate choices, not serendipity. Written plans are also easy to communicate throughout the company and can clearly allocate responsibilities. Finally a well written plan can be used to seek financing.

In analyzing the target market, the company's research will provide a better understanding of where the opportunities are and what is needed to win the business of a target market. This understanding will contribute to its potential for success when they visit the market destination.

To plan a winning strategy, take a look at the target market's:

- customer
- industry associations
- trends
- industry /sector events calendars
- market differences
- competitors
- export requirements
- economic initiatives/priorities
- market segmentation

An analysis of this market information will help define export opportunities and associated risks. This homework is an excellent investment - and it is cheaper than a plane ticket to the potential market.

Once the firm has identified a market they will need to organize **the key elements of an Export Marketing Plan.** Use the guidelines below to help develop their plan:

- Establish a competitive price.
- Ensure that the have high quality and technically accurate support documentation for their agents/distributors in their language.
- Give special attention to the selection, training, incentives and support given to their agent or distributor.
- If appropriate, arrange for agents, distributors and customers to visit their plant for critical training ain product application, after-sales service etc.
- Have senior management visit the target market to confirm their commitment to the market and the customers there.
- Use international trade shows to further research the market and monitor the competition or to promote their goods and services and raise the visibility of their company (preferably together with their representative).
- Ensure on-going product and technology development.

Exporting the finished goods or service represents only one of several **strategies for entering foreign markets**. Factors like high transportation costs or high tariffs could mean their merchandise cannot be competitive in a foreign market. Other ways may be open. Make sure that they explore all the strategies for bringing their goods to their customers outside Canada. Apart from. shipping finished goods, they could enter into the export market by:

- licensing designs or technology
- investing in a branch plant
- setting up a manufacturing joint venture in collaboration with a local firm in the foreign market
- franchising

A strategy can differ from country to country and from regional market to regional market. A firm could find, for instance, that they can easily sell their goods in the United states but that transportation and product tailoring costs may make it difficult to export to Southeast Asia. A Joint venture to manufacture in the region might make more sense. Or a wholly owned investment in a foreign branch plant may best serve their objectives in that regional market.

The best strategy for entering a market is the one that makes the companies goods most competitive in that market. Consider the following to assess the potential to compete in a target market.

- tariff and non-tariff barriers
- the cost of customizing the merchandise to meet local market requirements
- currency fluctuations
- transportation costs

While adapting to the market of the host country could significantly increase costs, the resulting increase in volume may market it well worthwhile. Additional business contributes to the fixed costs of production even if the profit margins is relatively small.

When **structuring the export strategy** make sure management is in clear agreement on:

- company objectives for both the medium and long term
- tactical approaches to entering the market
- marketing plans to schedule activities that will support objectives and tactics
- allocation or resources for one- to five-year commitment to establish a presence in the target market
- the export strategy may have to be modified to respond to changing conditions and opportunities.

An outline of an export marketing plan appears below while a more detailed discussion appears in Appendix A.

Chapter 8 Step Four to Export Readiness, The Finance Equation

8.0 Financial Readiness

Developing an export market requires a stable financial base, a financial plan to cover the various costs of exporting, the ability to determine a delivered price for the firm's products and an export pricing strategy, knowledge about the financial risks involved in exporting and how to manage them, and, finally, the patience to await the financial returns of export market success.

Your role is to work with your client to enhance their financial readiness for exporting, and to advise your client of the various financial services available to help them better manage this aspect of exporting. The following checklist sets out several key financial aspects to export success that you should consider when reviewing exporting as a growth option for your client.

Checklist of Important Financial Issues in Export Readiness

- ☐ *Is the firm's present financial position sound?*
- ☐ *Does the firm have a financial plan covering export market development costs?*
- ☐ *Are sufficient funds available for exporting?*
- ☐ *Can the firm develop an export costing sheet?*
- ☐ *Is the firm able to wait for payment?*
- ☐ *Does the firm have a source of patient capital, i.e. financing that does not require short term returns?*

8.1 A Stable Financial Base

While stories abound of small firms turning into export successes overnight, most export success stories involve sustained effort before the firm's export activities yield rewards. Sustaining this effort requires financial stability and strength. This is not to say that exporting is only for large corporations - far from it. Rather, exporting requires the financial stability that comes from a stable and established domestic sales base which yields an ongoing cash flow to the firm. This allows the firm to continue operations while

it builds its export activities to the point where they become a source of cash flow in their own right.

Export market objectives and their associated costs must be consistent with a firm's relative financial strength. For example, a small handicrafts business located in Atlantic Canada with yearly sales of $50,000 may be able to double its sales by finding just one or two good distributors in the Boston area interested in its crafts. Locating and developing contacts with these distributors need not be an excessively time-consuming or expensive operation. The right planning and the proper use of government export development services could see the firm's sales double without strain on its limited financial resources.

8.2 A Financial Plan for Exporting

In many ways, the key to successful export market development is a financial plan which covers the various costs and other financial demands of exporting. This financial plan ought to comprise a cash budget covering the firm's export market development activities for the first two to three years. This will highlight the financing requirements for the firm's export market development plans and so allow the firm to better plan how it is going to finance its activities. Without a reasonable cash budget, most firms tend not to arrange the additional financing required and so start to stretch out their current operating lines of credit when they incur the extra costs of export market development.

The financial plan should also include a longer-term cost-benefit assessment of the firm's export market development plans. This assessment details expenditures and revenues over several years and demonstrates the profitability of the investment. This detailed assessment (called a capital budget) provides an operating plan against which actual expenditures and revenues can be measured. Working to a financial plan which has been adequately funded keeps progress on export market development from being impeded by a firm's periodic cash shortages.

8.3 Funding Export Market Development

Both the cash budget and the capital budget referred to above provide guidance as to the funding requirements for the firm's export market development activities. First, the cash budget allows the firm to determine the timing and amount of its cash expenditures. Second, the capital budget presents an overview of the total amount of funds required to complete the export market development project. The capital budget will also indicate when the project will begin to generate the positive cash flows that will be used to payback the invested capital.

Knowing the timing of both cash inflows and cash outflows is key to arranging the right financing for export market development. Government export support programs usually require a complete financial projection for the project and a certain amount of lead time before funds can be made available. Likewise, commercial lenders and suppliers of venture capital need to know when the project will begin positive cash flows so that the right kind of financial package can be structured.

8.4 Pricing Exports

The company's manufacturer's representative or distributor together with foreign buyers need to know what it is going to cost them to have your client's product. As such, your client needs to be able to provide a price for its products that:

- covers its cost of production, packing and labeling for export;
- freight to move the product from your client's plant to the foreign buyer's door; taxes and duties
- freight forwarder or custom broker costs
- insurance to protect the product during shipping;
- financing and export credit insurance costs;
- foreign exchange conversions; and profit.

Knowing just what it will cost to deliver their product to a foreign buyer is very important to export sales success you should ensure that your clients determine their costs as part of their export readiness preparation activities.

Your clients, after determining their costs, should also consider their pricing strategy for exports. Several strategies are possible:

- Full cost based pricing where the export price covers both the fixed and variable costs of the export sales.
- Marginal cost where only the variable costs of production and exporting are covered while overhead and other fixed costs are paid out of domestic sales.
- Penetration pricing where the exporter keeps its initial export price low in order to 'buy' market share.
- Market skimming where the exporter prices its products at a premium in order to secure quick profits before the competition rushes in.

When determining pricing strategy, it is important to note that price is rarely the sole purchase determinant as, foreign buyers are also very concerned with quality and reliability of delivery Exporters who engage in a 'price only' marketing strategy should be especially careful, given the higher costs of export market servicing.

It is also important to ensure your client has the capability to offer a landed cost in the customers choice of currency (normally in $US but not always)

8.5 Waiting for Payment

Exporting usually involves longer waits for payment. This is because of the extended production and delivery times involved in the larger production runs usually associated with exporting and the greater distances involved. Moreover, because larger amounts are involved your client is placed at greater risk of non-payment.

You and your client should be aware of the various risk management services and products available to handle the payment delays and non-payment risks of exporting. These are discussed in more detail in Chapter 12.

8.6 Patient Capital

Export market development is usually a longer term and relatively risky undertaking - but one which can substantially enhance a firm's long-term profitability. As such, it makes sense to finance export market development activities as much as possible with equity and near-equity capital, i.e. patient capital. This type of financing can remove the financial burden of interest payments and principal repayments at the very time that the firm needs ever more capital to expand its production facilities to meet increasing export-led demand for its products. Of course, raising equity capital usually means sharing the ownership or at least the profits of export market development. Even so, most business people would prefer 50-75% of export success to 100% of export failure.

Chapter 9 Step Five to Export Readiness, The Right Product/Service

9.0 The Right Stuff

Defining the product or service to be exported, sizing up potential markets, conducting basic market research to determine necessary product or service modifications, and knowing where to get tariff and market access information are key elements of assessing whether a firm's products will be able to compete in export markets.

This section addresses the issues that must be considered in deciding whether your client's product or service is going to sell in export markets. Largely, the issue to be determined is whether your client's product or service has a distinct competitive edge that is going to provide it with a sustainable market advantage in the targeted export market.

The following checklist sets the factors that help you identify products with export potential.

Checklist for Identifying Products with Export Potential

- ☐ *Does the firm have a proprietary product or service?*
- ☐ *Does the firm have a unique production process?*
- ☐ *Does the firm's product have special features that are perceived as valuable?*
- ☐ *Does the product have special packaging or presentation features?*
- ☐ *Can the firm offer better delivery than competitors?*
- ☐ *Does the firm have an advantage in after-sales servicing?*
- ☐ *Does the firm offer attractive financing?*

Likewise, there are some key elements which can help you assess whether a service provider is likely to have a sustainable competitive edge in an export market.

Checklist for Identifying Services with Export Potential

- ☐ *Does the firm have unique knowledge or skills?*
- ☐ *Can the firm offer better delivery of its services?*
- ☐ *Is the service offered more comprehensive?*
- ☐ *Does the firm have an advantage in its high dedication to client service?*
- ☐ *Does the firm offer on-going support to clients?*

9.1 Defining the Product or Service's Competitive Edge

Not surprisingly, product and service use varies substantially in different countries. What sells in Canada may not sell elsewhere. Likewise, the reasons why a product or service is purchased may vary substantially between markets.

Your client should be encouraged to consider why their product or service is going to sell in the targeted export market. Is the product or service sufficiently differentiated from competitors to capture and sustain market share, (especially local competitors who have a local market advantage)? Or, is the product or service based on new technology that other competitors do not have (and are not likely to get in the near future)? Or, finally, does your product or service enjoy a lower-cost production advantage that will persist for a sufficient period of time?

9.2 Sizing Up Potential Markets

Product and service characteristics also determine just which export markets ought to be targeted. Can the product or service be transported great distances? Does it require a sophisticated user in terms of education or training? Is it targeted mostly to wealthier consumers? Is it susceptible to adverse weather conditions? Is it socially acceptable in all markets?

Clearly, some products can not be transported vast distances without breaking down. For example, the export of fresh strawberries from Nova Scotia is limited to just a

few markets which are close at hand. Even then, just the right transport conditions have to be used to ensure that the product arrives in peak condition. So, while fresh Nova Scotia strawberries can be transported by refrigerated truck overnight to the Boston market and arrive in excellent condition, putting them into a more distant market might be impossible.

Other products and services are limited by user group in terms of their ability to effectively use or service them. Advanced medical equipment may be of little value to those export markets without the technicians able to operate it. Likewise, some products presuppose a certain level of education before the value can be obtained by the end-user.

Selling particularly expensive, luxury type goods and services is also limited to those markets with the demonstrated ability to pay. Japanese, American, and German tourists may all have the financial wherewithal to purchase exclusive, tour-guide assisted, wilderness excursions. Other countries clearly have less potential as the cost of such vacations could be well out of the reach of all but a few.

Finally, when trying to decide which export markets make sense you and your client should consider the impact of culture and religious norms on the acceptability of the product or service being exported. Clearly, some food products which we consume in Atlantic Canada will have little appeal to markets where religious restrictions limit consumption of the product. For instance, no matter how good the promotion of Newfoundland Screech, it is unlikely to be accepted in Saudi Arabia where alcohol is prohibited.

9.3 Deciding Product and Service Modifications

The multitude of climatic, social, religious, income, and other factors that impact on product acceptance also suggest that many products and services will have to be adapted, or modified, for export markets before they will be acceptable.

Product and service modification can involve technical aspects of the product design, the labeling and packaging, and reformatting the product or service to better reflect

local cultures. The key to determining just what modifications will have be undertaken is sound basic market research which details how the product or service will be used or consumed in the target export market.

Products might have to be modified to be in used in export markets with differing standards. For example, electrical equipment produced in Canada to North American electrical standards will have to be modified for sale in Europe given differing standard power supplies. Likewise, food products will have to be adjusted to meet differing consumption patterns in export markets. For example, most North Americans prefer larger beef portions with relatively little fat while most Japanese would prefer to eat smaller beef portions with a higher fat content.

Labeling and packaging also must be modified for most export countries. Usually, exacting details of just what information must (and can) be displayed on a product are set out in a target export market's national regulations. Typically, these regulations would specify how the products can be described, the language(s) to be used, the measurement units to be indicated, etc. Packaging can be especially troublesome in some countries where special environmental laws restrict the nature of packaging material that can be used.

Finally, differing cultural influences have to be considered when deciding product and service modifications. Products may be used differently in differing markets. For instance, fruit which is generally a market consumable purchased in part on price considerations in Canada may instead be viewed as a gift in Japan. As such, much more emphasis will be placed on the quality and presentation of the fruit (and less on the price).

9.4 Getting Tariff and Market Access Information

There are two primary sources of tariff and market information or Atlantic Canadian firms. The first of these is DFAIT. Among the department's many responsibilities is keeping track of formal agreements on tariffs and duties as well as informal agreements on technical specifications and product inspections.

The second source of tariff and market access information is direct communication with freight forwarders and customs brokers who provide tariff and market access information to their clients each day. As discussed in more detail in Chapter 13, freight forwarders take responsibility for the shipment of goods from the Canadian exporter through customs to the foreign buyer. Customs brokers take responsibility for clearing goods through customs on behalf of their clients.

Important Contacts at DFAIT Headquarters

DFAIT headquarters in Ottawa is often referred to a Fort Pearson by those that work there. At first blush it can seem a formidable bureaucracy for both the private sector and other government departments. It is important to remember that staff vital to the trade development function generally work in one of three areas: Geographic Trade Bureaux, the InfoCentre (the Department's information and reference centre for exporters) or the Trade and Investment Development Divisions. Some useful telephone numbers are:

• *InfoCentre*	*1-800-267-8376*
• *South Asia Trade Development*	*(613) 996-0917*
• *Southeast Asia Trade Development*	*(613) 996-8187*
• *East Asia (China & Mongolia) Trade Development*	*(613) 992-7359*
• *Japan Trade Development*	*(613) 995-1281*
• *Central Europe Trade Development*	*(613) 996-2858*
• *Eastern Europe Trade Development(Russia)*	*(613) 996-5720/6324*
• *Eastern Europe Trade Development(Ukraine, Central Asia, Caucasus, Belarus, Moldova)*	*(613) 996-5720/6324*
• *Northern Europe Trade Development*	*(613) 995-9401*
• *Southern Europe Trade Development*	*(613) 996-0105*
• *Western Europe Trade Development*	*(613) 995-8269*
• *South America Trade Development*	*(613) 992-0384*
• *US Business Development Bureau*	*(613) 944-5849*
• *Mexico & Inter-American Trade Development*	*(613) 992-0385*
• *Caribbean & Central America Trade Development*	*(613) 992-7858*
• *Korea & Oceania Trade Development*	*(613) 995-1183*
• *Middle East Trade Development*	*(613) 944-5993*
• *Maghreb & Arabian Peninsula Trade Development*	*(613) 944-7040/6593*
• *Trade and Investment Programs*	*(613) 995-1283*

Chapter 10 Step Six to Export Readiness, Gearing Up Production

10.0 Meeting Customer Demand

Successful export market entry usually brings about substantial demands for increased production. Individual export orders are generally larger than individual domestic orders, and the export market in general is much larger than the domestic market.

To cope with the increased production demands brought about by export market success, you should ensure that your client has an established and efficient production base for domestic markets, initial excess capacity for export markets, is able to handle a sudden rise in demand, has a reliable supply system, is able to handle the logistics of getting their product to the export market, and has plans to handle longer term increased production levels.

This section reviews the various aspects of gearing up production for exports that you should review with your client as part of the export readiness assessment. It also provides some guidance as to where your client can go to secure additional funding to gear up production for export markets.

Checklist of Important Issues in Meeting Potential Customer Demand

- ☐ *Does the firm have established and efficient production for domestic markets?*
- ☐ *Does the firm have initial excess capacity to serve export markets?*
- ☐ *Is the company able to handle a sudden rise in demand?*
- ☐ *Does the firm have a reliable supply system?*
- ☐ *Can the company handle the logistics of getting product to export markets?*
- ☐ *Does the firm have plans to handle longer term increased production levels?*

10.1 Efficient Domestic Production

An efficient domestic production facility is very important in meeting export market demand. For the most part, the products being exported should be those that have been tested thoroughly and your client is experienced in producing.

The need for an established and efficient production facility is brought about by the increased volumes that can be associated with exporting. An established production capability can also help avoid problems when large orders with new product modifications are being processed. Attending to the new challenges of exporting without having to dedicate time and energy to fixing 'old' production problems at the same time is a key component of any strategy.

10.2 Initial Excess Capacity

Initial excess capacity is important given the relatively quick turnaround time which may be required for export orders. Often, success in landing an export order brings with it a requirement to supply product quickly. If your client's current capacity is completely dedicated to meeting the needs of its domestic customers, it will be unable to satisfy its new export customers in a timely manner. If your client has a substantial amount of unused capacity, it will be possible to quickly gear up for an export sale without the need to acquire new machinery and train new staff.

10.3 Can Handle Sudden Rise in Demand

Somewhat akin to having initial excess capacity is the ability to handle a sudden rise in demand. Often this means going beyond normal capacity to expand production.

The rise in demand from export success can be both sudden and substantial. One of the more interesting stories of exporting success, is the case of a Canadian specialized meat producer on a marketing trip to Japan. The company was a high quality producer of about 80 different meat products and had yearly sales of about $1 million. The firm's products so impressed a Japanese distributor that it suggested they could take about $4 million monthly of one of the firm's specialty products. In this case the firm was not able to satisfy such an immense increase in sales. However, it did go on in the relationship to triple its production capacity and begin serving the Japanese market.

When you and your client are assessing your client's export readiness, you should discuss just how much production your client can produce on short notice. Thinking about it in advance can go a long way to solving the 'problem' before it occurs.

10.4 Reliable Supply System

A reliable supply system is also of great importance in exporting. When examining your client's ability to quickly increase production, it is usually necessary to inquire about the production capabilities of its principal suppliers as well.

Where a principal supplier does not have the demonstrated capability to increase production, it is often necessary to arrange back-up or additional suppliers. Here again, it is usually best to consider these questions well in advance to avoid additional pressure on the firm at the time of the export order.

10.5 Longer-Term Increased Production Plans

Successful exporting will lead to the need for increased production capacity in the long run. However, these longer-term increased production plans also involve a substantial commitment of capital and managerial time. Taking a more strategic view of expansion can help your client avoid a piece-meal approach to increasing production with every new export order.

Where to Go in Atlantic Canada for Financial Assistance in Gearing Up Production

In addition to ACOA, there are several funding sources for Atlantic Canadian firms seeking to expand production for export sales. They include:

- *The commercial banks (located throughout Atlantic Canada). The banks are the usual first stop for small business financing. Loans for expansions to meet export sales are usually well considered, especially when you client approaches the bank with a thought out business plan in hand.*

- *Business Development Bank of Canada (BDC). BDC has a number of financing products available to help fund export related expansions. These programs include BDC Venture Capital, Venture Loans, and Patient Capital. Each of these programs involve an element of debt and equity financing, and are intended to finance growth. Your Reference Portfolio contains a selection of relevant BDC brochures.*

Chapter 11 Step Seven to Export Readiness, Management Knowledge

11.0 A Key Ingredient for Success

Management knowledge of exporting is a key ingredient for success. In particular, exporting experience in the management team, experience with the technical aspects of exporting, prior participation in (or visits to) international trade fairs, the ability to speak foreign languages, familiarity with foreign cultures and business practices, contacts in the export community and knowing where to get people with export skills can all be viewed as important assets for export success.

This section discusses these elements of management knowledge of exporting, and their relative importance to export success. You and your client should review these various aspects of managerial knowledge of exporting to determine your client's relative strengths and where additional training is needed.

Checklist of Management Knowledge Important to Export Readiness

- ☐ *Does the firm have export experience in the management team?*
- ☐ *Is the firm experienced in the technical aspects of exporting?*
- ☐ *Have company staff participated in or visited international trade fairs?*
- ☐ *Does the firm have foreign language capability?*
- ☐ *Are members of the staff familiar with foreign cultures/business practices?*
- ☐ *Does the company have contacts in the export community?*
- ☐ *Does the firm know where to get people with the right export skills?*

The section also sets out a number of export trade training programs which can be used to build-up or supplement management knowledge. This latter information being provided with the clear understanding that few new-to-exporting firms know everything they need to know about exporting and it is never too late to learn.

11.1 Experienced Exporters

There really is no substitute for experience when it comes to exporting. There are a multitude of small details, as well as larger issues such as fulfilling foreign buyer needs and securing payment of export receivables, that exporting experience in the management ranks seems to better prepare a new-to-exporting firm to meet the export challenge. As such, the best advice for firms without exporting experience is to either get it, or get access to it.

Getting experienced exporters in the management team can be accomplished by either hiring experienced people, or by partnering with an experienced exporter for the first couple of export sales. Partnering with another, export experienced, small firm might also serve to increase your client's combined size to the point where it can more easily take on export contracts.

For your smaller clients, you might suggest bringing in a part-time, seasoned, export manager to guide their initial export market development program. Although the costs of additional staff can be relatively high for smaller exporters, (these costs might be reduced through cost sharing with ACOA), the consequences of poor initial decision-making can result in lost opportunities and could have significant effect on the future activities of the company.

11.2 Technically Proficient Exporters

Part of the experience-based knowledge that prior exporting brings to a firm is in the technical aspects of exporting. There can be a multitude of details that exporters must attend to in order to successfully ship product and secure payment. And, there is a substantial learning curve.

Rather than trying to learn everything by trial-and-error, it makes sense for new-to-exporting companies to initially put as much of the technical aspects of exporting into the hands of experienced personnel as they can. For instance, a new-to-exporting firm with its first export order for say, $ 35,000 worth of product, will probably be best off to put most of its effort into producing its product to the highest quality possible and contracting a freight forwarder to handle all of the logistics of getting the product from the plant gate to the foreign buyer's door. Contracting technical details out to a freight forwarder will result in a substantial learning experience for your client and will probably result in lower, overall costs as the freight forwarder is able to use its knowledge to choose the best shipment options.

11.3 International Trade Fair Attendance

International trade fairs are an excellent way to improve management's knowledge of exporting. These fairs generally present the world's best products and suppliers to buyers from many countries. As such, the standard of product and presentation is world class. The do's and don'ts of trade fairs are discussed in Chapter 14.

11.4 Foreign Language Capability

The ability to speak a foreign language, notably the language of the target export market, can be a substantial competitive edge. Speaking the language will enable your client to better understand the nuances of a particular culture and so better capture the needs of the foreign buyer. It can also go a long way in avoiding contractual disputes and product labeling mistakes.

On the other hand, the lack of foreign language capability need not keep your client out of the exporting business. English is the language of world business, and most foreign buyers are willing to do business in it. In those markets where knowledge of the local language is more important, the services of a translator can usually be obtained, both in

the local market and here at home. It is, however, important to ensure that the translation services used are of sufficiently high quality to avoid language based misunderstandings. Remember, not all english-speaking people speak the same English.

11.5 Foreign Culture and Business Practice Savvy

Knowing the culture and business practices of the target export market is important to export market success. In many ways 'culture' captures an individual's view of the world - what is acceptable behavior and what is unacceptable behavior. Being sensitive to a foreign customer's culture - respecting their religious and social differences - may prove to be the most important aspect of an international sales visit.

It is particularly important for your client tc be familiar with the cultural context of business relations. In our Canadian culture, we tend to be direct in our communications - even if someone's personal feelings are likely to be hurt. In some cultures such behavior would have disastrous consequences. For instance, Korean customers are loathe to present disappointing news - even to the point of suggesting that all is going well when, in fact, there is little likelihood that a successful business relationship will ensue. They simply place more concern on the feelings (or 'face') of the individual and so try to avoid any chance of personal embarrassment.

Familiarity with local business practices is also important. In some markets, high emphasis is placed on contractual relationships and the use of the legal system to resolve disputes. In other societies, much more emphasis is placed on personal trust between individuals, where this bond of friendship will be used to resolve problems.

Your client should take the time to become well versed in the culture of the targeted export market. This can be accomplished by speaking with the country or regional trade representative at DFAIT, or directly to the Canadian Trade Commissioner resident in the Canadian Embassy or Consulate located in the target market. Putting effort into understanding cultural and business practice differences will put little things that seem odd

in their proper perspective, and allow the right amount of effort to be put into developing a lasting business relationship.

11.6 Export Contacts

Another way of preparing your client for export trade is to encourage their participation in the local export community. Local business breakfasts for exporters can be great opportunities to get local businesses together and sharing their experiences on dealings with particular export markets, and exporting in general.

Often, new-to-exporting companies can learn a lot from simply calling up local companies with existing business dealings in the target market. Most small (and large) business people are willing to share their experiences and help others avoid common mistakes. Getting in contact with other exporters can also lead to joint undertakings in the market, or ongoing support in terms of shared information, joint travel, or shared shipping arrangements.

11.7 Accessing Export Skilled Personnel

Finally, knowing where to get people with the export right skills can be vitally important to new-to-exporting firms. Contact should be made with the local exporting community to determine who is available to help out. It may also be possible to secure help on a contractual basis where skilled individuals are invited in on a term or limited basis to help accomplish a particular task, or simply to bring not only the management team but also support staff 'up to speed' on exporting.

11.8 Export Training

There are a number of export training programs available to Atlantic Canadian firms. These programs include relatively extensive courses which last several months and longer

(such as FITTskills), and shorter one or two day briefing seminars on selected export skills topics. Information on FITTskills is available from:

FITTskills (Forum for International Trade Training)

FITTskills courses are offered in selected community colleges across Canada. The FITTskills program includes courses in global entrepreneurship, international marketing, international trade finance, international trade logistics, international market entry & distribution, international trade research, the legal aspects of international trade, and international trade management.

FITTskills courses are offered in Atlantic Canada at:

Gander Worldwide Inc., Gander, NF.
Coordinator/Executive Director
Tel: 709-256-3999

Nova Scotia Community College
Truro, NS
Coordinator: Leroy Lowe
Tel: 902-893-5362

New Brunswick Community College
St. Andrews, NB
Coordinator: Karen Ludwig
Tel: 506-529-5021

University Based International Business Training

Many universities in the region offer academic training in international business management. Taking a course from one of these institutions can be a useful first step for a SME. As well, many of the institutions involved offer consulting or training services which make use of students closely supervised by faculty. Some contacts are:

- *Jocelyne Landry, Directrice, Centre de commercialisation internationale, Unversité de Moncton, (506) 858-4499*
- *Larry Armstrong, Director, Centre for International Business Studies, University of New Brunswick, (506) 453-4557*
- *CarolAn McLarney, Director, Centre for International Business Studies, Dalhousie University, (902) 494-2025*
- *Susan Vaughn, Director, Centre for International Business Studies, Memorial University, (709) 737-4504*
- *Michael Whalen, Executive Director, Atlantic Centre for Agri-Business, Nova Scotia Agricultural College, (902) 893-7539*

Tips on Choosing an International Marketing Consultant

Many small firms with a real interest in export marketing do not have the in-house people resources necessary to get them started. While government officials can be of great assistance in moving companies through the export process, more in depth assistance is often required. Marketing consultants can provide a useful service for many companies. In assisting a client company in choosing a marketing consultant you should bear the following questions in mind:

- *What experience does the consultant, not the company, have in international marketing? Some firms, particularly the larger ones, use their more experienced staff to market their services and then assign more junior staff to the actual job. Prior to hiring a consultant find out exactly who you will be working with. A good consultant will have recent experience in assisting firms with their export marketing needs and the references to prove it.*

- *Does the consultant have experience with the export marketing needs of SMEs? Working with McCains and working with a three person firm headquartered in an incubator mall are two very different assignments. The needs of small and micro sized companies are unique and the export consultant should be familiar with the special needs of the small firm in the export market.*

- *Does the consultant have specific geographic expertise? The challenges of doing business in the U.S. are very different from those in Chile. If the firm has identified a specific geographic area as being of prime interest, the consultant should have some recent experience in that area.*

In working with a consultant it is extremely important that the SME use this service properly. Consultants can not take the place of committed management in a firm. Consultants, like government officials, can only act as a specialist resource to help guide a company through the export process. They can be a coach but should not become a player. Ultimately the company has to do the work involved in becoming export ready and making the export sale.

International Trade Information on the World Wide Web

There is a wealth of information now available on the Internet. Some interesting trade related sites include:

- *Department of Foreign Affairs and International Trade (http://www.dfait-maeci.gc.ca/)*
- *Strategis (Industry Canada Online) (http://www.strategis.ic.gc.ca/)*
- *Export Source (Team Canada Online) (http://www.exportsource.gc.ca)*
- *Export Development Corporation (http://www.edc.ca/)*
- *Business Development Bank of Canada (http://www.bdc.ca/)*
- *The Canadian Commercial Corporation (http://www.ccc.ca/)*
- *TradePort (California based trade information provider) (http://www.tradeport.org/ts/)*
- *U.S. Small Business Administration (http://www.sbaonline.sba.gov)*
- *Michigan State University, Center for International Business Education (http://www.ciber.bus.msu.edu/busres.htm)*
- *U.S. Foreign Agricultural Service (http://www.fas.usda.gov)*
- *UNCTAD's International Trade Centre (http://www.intracen.org)*
- *I-Trade (an American commercial service with, mostly, free information) (http://www.i-trade.com/)*

Your Resource Portfolio includes a more detailed list of Trade Information Websites.

Part 3 Moving Forward, Preparing to Export

Chapter 12 Getting Paid For Exports

12.0 Payment Risk

Payment risk is particularly important for exporting companies. In addition to the domestic credit risks of buyer insolvency and poor credit character there are country risks which can impede the payment of the export receivable. Even assessing the creditworthiness of a foreign buyer is more difficult due to differing accounting standards being used, along with differing credit reporting practices. Collecting past due receivables is expensive due to the extended distances, differing laws and high costs involved in foreign legal actions. In light of these increased difficulties, special care must be taken to ensure that the proper balance is struck between the marketing benefits of offering trade credit for export sales and the financial costs and risks involved in shipping on terms other than cash-in-advance.

You should ensure that your client is familiar with the various payment risks and terms involved, as well as how to use export credit insurance and export receivables discounting services to protect against payment risks. This section reviews the various payment terms available, payment term choice factors, export credit insurance and export receivable discounting.

12.1 Payment Term Choice

While most domestic business is conducted on 'open account' terms, the additional risks associated with exporting has lead to a number of additional payment terms being commonly used. These include payment-in-advance, letters of credit and bank collections.

These payment methods can be ordered according to the payment risks accepted by the exporter, with payment-in-advance presenting no payment risks and open account leaving the exporter subject to the greatest amount of risks. Table 12.1 describes the basic nature of these payment methods.

Table 12.1 Payment Method Choices

Method of Payment	When Seller is Paid	When Buyer Receives Product	Risks to Seller	Risks to Buyer
Payment in Advance	Before goods are shipped/ services delivered	Upon arrival of goods/delivery of services	No payment risks	Non-performance by seller
Letter of Credit	Normally on shipment of goods or delivery of services	Upon arrival of goods/delivery of services	Inability to produce correct documentation to obtain payment from bank	Goods or services specified not as called for in commercial contract
Bank Collections	Upon payment of the buyer to collecting bank	After paying collecting bank and obtaining shipping documents	Failure of buyer to pay collecting bank/ need to dispose of goods already shipped	Goods not as ordered
Open Account	Upon payment by the buyer	Upon arrival of goods/ delivery of services	Failure of buyer to pay for the goods and services already delivered	No risks

Payment-in-advance provides the greatest financing and credit advantages to the exporter as the buyer provides the cash before the goods are shipped. This means that the foreign buyer carries the financing burden for the transaction and must rely on the good character of the exporter to supply quality goods and services in a timely manner.

Letters of credit are bank undertakings to pay upon the presentation of acceptable documentation. As such, letters of credit provide the exporter with payment (usually) upon presentation of the shipping and other documents specified in the letter of credit. Letters of credit can also be used to provide financing for the transaction by providing for payment to the exporter at a specified time after the presentation of documents, say 90 days after sight. Because a bank engagement to pay has been secured, the exporter is subject only to bank risk and not to the credit risk of the foreign buyer when letters of credit are used. Of course, even foreign banks can be prevented from paying a letter of credit if their country runs short of foreign exchange or otherwise stops all foreign payments. To avoid these country risks, the Canadian exporter could arrange to have the letter of credit 'confirmed' by a Canadian bank so that payment is guaranteed upon presentation of acceptable documentation to the Canadian bank. It is especially important to ensure that your client understands how to handle letters of credit correctly if letter of credit terms are specified. The most common reason for letter of credit payment delays are discrepancies in the documents submitted to the paying bank.

Checking Letters of Credit

Firms should look for the following when examining letters of credit:

1. *Whether the names of the applicant (buyer) and the beneficiary (exporter) are complete and spelled correctly.*
2. *Whether is revocable (can be canceled) or irrevocable.*
3. *Whether the letter of credit is confirmed by a Canadian bank.*
4. *Whether the amount and currency of the letter of credit is acceptable.*
5. *Whether the shipping and expiry dates are acceptable, and whether the time period for the presentation of the documents is sufficient.*
6. *Whether the shipping instructions can be met.*
7. *Whether the description of the goods or services to be provided is correct.*
8. *Whether the insurance specifications are acceptable.*

Bank collections involve the exporter's bank forwarding the shipping and other documents to the importer's bank with instructions that the documents are to be handed over to the buyer only upon payment (sight collection), or an acceptable promise of payment (term collection). This method provides the Canadian exporter with a measure of control of the goods as the buyer can not take possession of them until acceptable payment arrangements have been met. On the other hand, because there is no bank

engagement to pay, the exporter is exposed to the risk that the foreign buyer will not carry through with the transaction (even though the goods have already been shipped).

Open account terms involve the exporter shipping the goods and transferring title to the goods to the foreign buyer in order to receive payment at the end of a specified period of time. Trading on open account allows the exporter to conduct business with the foreign buyer with the minimum of documentation and transaction costs. However, open account trading is risky and can result in substantial bad debt losses and financial costs.

12.2 Payment Terms and Buyer & Country Risks

Payment terms used by Canadian exporters tend to vary according to foreign buyer and country risk, as well as the nature of the goods or services being exported. Foreign buyer risks include both commercial non-performance and country risks. Of these, commercial risks (particularly, foreign buyer refusals to pay) account for most Canadian export credit losses. However, country risks such as cancellation of export permits, foreign exchange inconvertibility and political turmoil can be very important for some export markets. Many firms often sell initially to new export customers on secure terms (such as cash-in-advance or letter of credit) for the first few sales. Then, as the new foreign buyer demonstrates its creditworthiness and becomes better known to the exporter, more relaxed credit terms (open account) are used.

Table 12.2 sets out the most popular payment terms used by Canadian exporters for exports to different countries. As can be seen from the table, more secure terms are used when exporting to more distant or 'higher risk' countries. On the other hand, it is important to remember that it is foreign buyer non-performance (not country risk) that causes most bad debt losses. This is certainly so where most of our exports - and bad debt losses - are to the USA which is a strong, financially stable country.

Table 12.2 Credit Terms Used by Canadian Exporters by Market

Normal Payment Term	USA	Other OECD	Asia/ Pacific	Other	All Countries
Payment in Advance	7% (of total sales)	9% (of total sales)	32% (of total sales)	8% (of total sales)	10% (of total sales)
Letter of Credit	19%	21%	30%	46%	22%
Bank Collections	4%	15%	20%	7%	8%
Open Account	70%	55%	18%	39%	60%

As shown in the table, most Canadian exports to the US are on open account terms. Canadians tend to sell on 'domestic' US terms to avoid creating the impression of 'foreignness' when selling to American buyers. Open account terms are also used commonly when selling to other OECD countries which have sophisticated (and relatively familiar) banking and credit information sourcing services. Letters of credit and payment-in-advance terms are used most for Canadian exports to more distant (and culturally distinct) countries where non-familiarity with the prevailing legal systems and the high costs of collection lead Canadian exports to seek more secure terms. Bank collections account for only about 8% of Canadian trade and tend to be used mostly for sales to Europe and the Far East.

Payment terms used by Canadian exporters also vary according to the need for credit support for the goods and services being sold and the financial costs and risks being assumed by the exporter. Some goods and services - notably price sensitive commodities - require competitive trade credit terms. Other goods and services - such as specialized equipment and highly technical services - sell more on perceived quality and reliability and less on price. Your client should be encouraged to consider the actual need for trade credit support to their own exporting marketing effort.

The financial costs and risks involved in offering export credit tend to vary by the credit terms offered, the firm and its products. Providing extended payment terms is expensive as the exporter must finance its receivables while awaiting payment. Likewise, considerable costs are incurred in credit risk investigation, credit term negotiation and collecting bad debts. The level of risks involved in providing export credit are typically higher as export sales are usually larger than most domestic sales and - as mentioned earlier - the exporter is subject to country risks as well as foreign buyer risks.

12.3 Export Credit Insurance

Export credit insurance protects exporters against non-payment of export receivables. This protection provides exporters with increased confidence of payment when entering new export markets, enhanced competitiveness through offering better credit terms, increased working capital as export credit insured receivables qualify for increased working capital lines of credit, and better access to foreign buyer credit information. Key factors when considering the purchase of export credit insurance include the risks covered, the amount of risk sharing, the premiums, and the services offered by the insurer. In Canada, most export credit insurance is underwritten by Export Development Corporation (EDC), although private export credit insurers are becoming increasingly active in the market.

International Bankers in Atlantic Canada

Several of Canada's larger commercial banks maintain international banking centres in Atlantic Canada. These centres, located in Halifax, are the regional delivery points for the bank's international banking services. You and your clients may wish to contact the following:

- *Suzan Collins, Manager*
  International Trade Center
  Royal Bank of Canada
  Tel. (902) 421-8218
  Fax. (902) 421-9211

- *Karla Ashley*
  Manager, Trade Finance Centre
  Canadian Imperial Bank of Commerce
  Tel. (902) 428-4967
  Fax. (902) 425-4576

- *Funil Gupta*
  Manager, International Trade Services
  Bank of Nova Scotia
  Tel. (902) 420-6089
  Fax. (902) 422-8117

Export credit insurance usually covers against both the commercial and the political risks causing non-payment of export receivables. (Foreign exchange risk which can result in fewer than expected Canadian dollars being received from export receivables is not a covered risk). More specifically, the risks covered include insolvency or default by the foreign buyer, refusal of goods by the foreign buyer (provided the exporter has fulfilled the terms of the commercial contract), payment delays caused by a blockage of funds or transfer difficulties, war or hostilities in the buyer's country, and cancellation of export or import permits.

Export credit insurance usually includes a 90-10 co-insurance ratio. This co-insurance ratio provides for the insurer to absorb 90% of the loss and the exporter to absorb the remaining 10%. Co-insurance is used to help ensure that the exporter sells only to foreign buyers which are a reasonable, export credit risk. Export credit insurance costs typically include an application fee (about $500) as well as yearly renewal fees ($250). The insurance premium is usually about 1% of the insured value of the export shipments, but ranges from 1/4% to more than 5%. Insurance premiums are set according to the risks being covered, the spread of risks, the credit terms offered, the foreign buyer's standing and country, the exporter's own standing and credit granting practices, and the nature of the goods and services being provided.

Contacting Export Development Corporation (EDC)

You can contact EDC's Atlantic Canada representatives: David Surrette at (506) 851-6066 and Jeff MacArthur at (902) 442-5205. David is located at 1045 Main Street, in Moncton and Jeff is located at Purdy's Wharf Tower 11, Suite 1410, 1969 Upper Water Street, in Halifax. They travel extensively throughout Atlantic Canada for business development and can usually arrange to meet you and your client at your client's premises if given sufficient notice.

EDC also has a direct small exporter's department in Ottawa. You and your small business clients can contact EDC's Small Business Group at 1-800-850-9626. The EDC brochures EDC: With You the World Over *and* We Mean Business for Smaller Exporters *are included in your Reference Portfolio.*

Services offered by export credit insurers typically include advice on the appropriate payment terms to offer given the foreign buyer's commercial and country risks, advice on doing business in particular markets and credit information on a particular foreign buyer (provided at a charge). There is also, undoubtedly, a service (or benefit) conferred to the exporter from simply by having its exports insured with a large reputable insurer. Most foreign buyers are reluctant to go 'head-to-head' with a credit insurer with the knowledge and financial resources necessary to successfully pursue delinquent debtors through the court system.

12.4 Export Receivable Discounting

Export receivable discounting is another method of providing protection against the non-payment of export receivables by foreign buyers. With export receivable discounting, the exporter sells its export receivables (at a discount) to a commercial bank which takes on the risk of non-payment by the foreign buyer. Because the exporter receives its money immediately, discounting export receivables also protects the exporter from adverse fluctuations in the foreign exchange rate from the time of shipment until payment by the foreign buyer. In Canada, export receivable discounting is offered by the Royal Bank of Canada (through the Royal Bank Export Finance Company, (REFCO)), and the National Bank of Canada.

Additional information on the ins and outs of export payments is available from a series of brochures provided by the Royal Bank of Canada included in your Reference Portfolio.

Special note: Your client must keep in mind that the United States is a foreign country. Export credit insurance is available and should be considered until their buyers establish an excellent record of payment.

Chapter 13 Logistics and International Trade

Getting product to an export market is more complicated than shipping product to a domestic customer. You and your client should be aware of the transportation alternatives available, the roles of freight forwarders and customs brokers, export packing and marking, and export documentation.

13.0 Different Modes of Transport

Canadian exports leave by air, sea, or land. Most Canadian exports are to the United States and travel there by highway or rail. Highway transport provides the shipper with the convenience of door-to-door delivery and is quicker than rail. Speed and convenience is particularly important for highly perishable goods (such as fruits and vegetables) and for relatively expensive goods (such as auto parts). However, for long distance hauls, highway transport becomes relatively expensive compared with rail. Rail is especially well suited to the transportation of high bulk, low value commodities over substantial distances. However, the inconvenience and costs of transporting goods to, and from, the railway make trucking the preferred transport mode for most U.S. shipments.

Overseas shipments are (by necessity) either by air or sea. Air cargo is becoming increasingly available for export shipments and is the preferred mode for high value, low bulk, and perishable items. For instance, the only way of getting live lobsters from Atlantic Canada to Europe with acceptable mortality rates is by air. Air also makes a lot of sense when shipping relatively small volumes of high value goods. This is because the relatively small freight charge differential between air and sea for smaller shipments is more than covered by the savings in handling and administration charges as the small shipment moves from land to sea to land based modes during shipment.

Sea freight is most suited to large volume, lower value items. For instance, the shipment of pulp and paper from Atlantic Canada to Europe is by sea freight. Large vessels

arrive at our ports to take away large volumes of product. Ocean freight is carried by either conference carriers, independent shippers or tramp vessels. Conference carriers provide regularly scheduled shipments over established routes at standard rates. Independent shippers compete with conference shippers by offering lower rates, or individually negotiated shipping contracts. Tramp vessels carry cargo on an as-needed basis, taking freight wherever they have been contracted to go.

13.1 Freight Forwarders and Customs Brokers

Freight forwarders and customs brokers serve Canadian exporters by, respectively, assisting them move their product to foreign buyers and helping them clear their goods through customs. These international trade facilitators are experts in their field and this expertise can go a long way to helping your client avoid needless heartache in their first few export shipments.

Freight forwarders perform a number of services, including arranging the shipment, packing and marking the goods, choosing appropriate carriers, consolidating smaller shipments, handling customs clearance, handling insurance coverage, preparing shipping documents, and preparing banking and collection papers. Their expertise in each of these areas can save new-to-exporting clients from many deal threatening problems.

Customs brokers serve exporters by clearing goods through customs, preparing the required customs documentation, and remitting duties owing on exported goods. Customs brokers are also a good source of information on recent tariff changes and other customs-related developments.

Selected Freight Forwarders Serving Atlantic Canada

A list of members of the Canadian International Freight Forwarders Association active in Atlantic Canada is as follows:

- *Affiliated Customs Brokers, (902) 422-1256*
- *Fritz Starber Inc. (902) 453-1712*
- *Kuehne & Nagel International Ltd. (902) 420-6500*
- *Nippon Express Canada Ltd., (902) 873-3923*
- *P.F. Collins Customs Broker Ltd., (709) 726-7596*
- *Sameday Right-O-Way (506) 635-1212 (N.B.)*
- *Sameday Right-O-Way, (709) 747-4104 (Nfld.)*
- *Sameday Right-O-Way, (902) 481-3266 (N.S.)*
- *Sameday Right-O-Way, (902) 894-5354 (P.E.I.)*
- *Schenker of Canada Ltd., (902) 423-8324*

13.2 Export Packing and Marking

Special care must be taken in packing and marking goods for export. Goods exported from Canada often must travel substantial distances and be transferred from one mode of shipping to another. As such, the goods must be protected from damage and clearly marked so that they will not be lost in transit.

Packing of goods must take into consideration the ultimate destination and the relative sophistication of the transportation infrastructure in both the transit countries and the target export market. Often, goods shipped overseas are subjected to rough handling due to poor roads and being subjected to repeated loading and unloading from sea, to rail and to road. This necessitates substantial care, and expertise, in packing to avoid damage and loss.

Customs Brokers Serving Newfoundland

Members of the Canadian Society of Customs Brokers in Newfoundland include:

- *Avalon Customs Brokers Ltd, St. John's,* *(709) 576-4761*
- *P.F. Collins Customs Brokers Ltd., St. John's,* *(709) 763-2255*
- *St. John's Truck Sufferance Warehouse, St. John's,* *(709) 726-2121*

Likewise, exported goods need to be professionally marked. Markings on containers must identify the buyer, port of entry, gross and net weights, country of origin and any cautions. A packing list which identifies the contents of each container must also be included. All markings must agree with those on the bill of lading (or other shipment documents) if the goods are to properly transferred at their destination.

13.3 Export Documentation

Export documentation is used to identify the goods and the terms of the sale, provide title to the goods being shipped, provide evidence of insurance coverage, and certify that the goods being exported are of a certain quality or standard.

Probably the most important export document is the **commercial invoice.** The commercial invoice describes the good supplied and the amounts owing by the foreign buyer. It is also used for customs record keeping and must include a date of issue; name and address of the buyer and the seller; contract or invoice number; description of the goods, unit price, total weight, and number of packages; shipping marks and shipping numbers; and terms of delivery and payment.

The **transport document** is another particularly important document. For ocean freight, a bill of lading is used while an air waybill is used for air freight, and rail and truck bills of lading are used for land freight. The ocean bill of lading can be a negotiable instrument which passes title to the goods to whomever holds the bill of lading. This is unlike the air waybill, and the rail and road bills of lading, which are 'straight' bills of lading which pass title to the consignee as soon as the goods are delivered.

The third principal document is the **insurance document**. Evidence of shipment insurance is usually required for international shipments given the risks of damage or loss of the goods in transit. Marine insurance is usually for 110% of the value of the goods being shipped, in order to compensate the insured for the extra costs involved in replacing the lost goods.

Other documents used in export sales include certificates of origin, certificate of inspection, packing lists, and import and export licences. These documents are supplied on an as-needed basis. For instance, a NAFTA certificate of origin would be used to secure duty free, or lower duty rate, entry into the US market for Canadian exports. Also, certificates of inspection are used to ensure that the goods being exported are free from defect, such as would be the case for the export of live animals from Canada to Africa.

Chapter 14 Trade Shows and the New to Export Company

14.0 Pros and Cons of Trade Shows for the New to Export Company

Trade shows are often cited as an excellent tool to assist the new to export company break into new markets. There are literally tens of thousands of trade shows held every year, although only 150 or so have significant global attraction. Shows range in size from small regional events with a few thousand visitors, such as APEX in Atlantic Canada, to industry giants such as ANUGA in Köln, Germany. The 1999 ANUGA show featured exhibits covering 275,000 square metres and over 180,000 trade only visitors.

The trade show industry is clearly flourishing but should the SME attend or exhibit in a trade show? What are the benefits of trade shows? Considerable research has been done on these issues. For most companies the key objectives of trade show participation include:

- making business contacts
- meeting buyers
- testing new markets
- gathering information on the competition
- introducing new products
- selecting foreign partners

Trade Show Assistance

There are many sources of information on trade show participation available to you and your clients. A first step is to contact your local ITC or provincial economic development department to obtain information on their trade show program and the assistance they can provide your clients in preparing for participation. Other sources of assistance include:

- ***International Training and Management Company**, a Canadian firm located in Toronto, provides very high quality trade show training across Canada. Tel. 1-800-358-6079 www.siskindtraining.com*
- ***The Center for Exhibition Industry Research** (formerly the Trade Show Bureau), located in Chicago, provides a wide range of materials designed to help firms improve their trade show performance. Tel. (312) 808-2347 www.ceir.org*
- ***Gale Research Co. Inc.** produces "Trade Shows Worldwide: Events, Facilities and Suppliers", a useful reference. Tel. 1-800-877-4253 www.galegroup.com*
- ***Shows and Exhibitions 2000 Directory** gives details of shows in Canada and abroad.. Tel. 416-596-5893 www.showsandexhibitionsonline.com*

From the buyer's point of view, their major reason for attending a trade how is to see new products and services. A study by the Centre for Exhibition Industry Research indicates that over 80% of company executives attending trade shows actually have an influence on the products or services their firms buy. For the new to export SME, trade shows would seem to be a useful tool in entering the export market. Attendance at an international show specific to their industry allows a company to see the type of competition they are up against, to talk with potential buyers and distributors about their product or service and how it might need to be modified and begin the process of seeking distribution. All of these goals can be accomplished with careful planning of trade show participation.

What is the downside of trade show attendance? For many small companies it is the cost and time away from the business. The top international trade shows are usually held in major U.S., European or Asian cities where cost of living for the business person is very high. Registration can exceed $1000 in some specialized shows which include an extensive seminar and education program. In addition in a small business it is often difficult for the owner/manager to take a week off to visit a trade show. Finally most firms attending shows who are not experienced in trade show participation rarely make good use of their time. The scope of many international shows is so large that first time attendees tend to wander down the aisles in a daze suffering from sensory overload. This is a recipe for wasted participation.

14.1 How to Pick a Trade Show

Nine tenths of the battle in successful trade show participation is choosing an appropriate show. Attendance at a show not directly related to the firm's product and export marketing goals can be a waste of money. How should firms go about picking a show? Answering the following questions provides a guide:

Five Questions to Ask When Evaluating a Trade Show

- *Why does the company want to attend the show?*
- *Who has attended the show in the past?*
- *What do previous exhibitors and attendees think of the show?*
- *What is the show, or the show manager's reputation?*
- *What does the show manager do to help attendees and exhibitors?*

- **Why does the company want to attend the show?**

The answers to this question can range from actually making sales to doing market research on the latest products available from the competition. The answer is important in choosing a show. Certain shows, particularly smaller regional events, are geared to selling and attendees come with order books in their back pockets. Others, including most of the large international shows, tend to focus on new product introduction and making contacts without the expectation of immediate sales.

- **Who has attended the show in the past?**

Show managers should be able to tell you exactly who comes to their show and why. This information will give important clues as to whether the show is relevant to the Atlantic Canadian SME. A significant number of purchasing managers among attendees, for example, indicates a show that features plenty of on site purchasing.

- **What do previous exhibitors and attendees think of the show?**

Again, good show managers, like any good salesperson, should be able to give you a list of references from people who have visited or exhibited in their show. It is a good idea for first time attendees or exhibitors to call a selection of these firms and find out how good the show really is.

- **What is the show, or the show manager's reputation?**

Industry associations, government officials, perhaps even the SME's own customers, can give a perspective on the show and its managers. In particular when considering a new trade show operating for the first time, it is important to know the reputation of the show manager and whether or not they are capable of putting on a high quality exhibition.

- **What does the show manager do to help attendees and exhibitors?**

Before committing to be an exhibitor in a show, it is important to know how it will be promoted, how easily visitors will be able to find you and what services the manager will provide to assist you in set up, exhibiting and promotion. If a firm is only going to visit the show they should enquire as to what special services are provided for visitors to make their trip more profitable.

By assisting a client in working through these questions, they should be able to make an excellent call on whether or not the show will a worthwhile investment.

14.2 Exhibit or Walk?

Many new to export firms have been encouraged to exhibit at trade shows and are given incentives, such as subsidized fees, to do so. However, for most new firms it is probably not advisable to exhibit the first time they enter a new market. Exhibiting at a major international show is a high cost and possibly risky approach to the market. Exhibiting sends a signal to the marketplace that you are ready to do business, not simply looking for information. As a result many potential distributors may be frustrated by their inability to carry on serious discussions with the firm. Alternatively, companies may become carried away with the marketplace and without sufficient research sign distribution agreements and sales contracts In either case, the reputation of the SME can be tarnished for a long period of time.

First time trade show attendees are probably better advised to simply walk the show on their first visit. They should do so, however, in a professional manner. Five key guidelines for getting the most out of a show are as follows:

1. Decide why you are attending a show.
2. Select the right show to attend.

3. Set objectives before attending the show.
4. over the show floor efficiently, don't just wander.
5. Get the most out of each exhibit, don't be distracted by giveaways and products you are not interested in.

If firms follow the above process trade shows can be a very important step in entering export markets.

However, if your client has an established agent in the show's territory they should be encouraged to exhibit with the agent or distributor in a joint marketing effort.

Chapter 15 The Trade Commissioner Service

The Trade Commissioner Service helps companies that have researched and selected their target markets .

The Canadian Trade Commissioner Service, located at Canada's Embassies and Consulates abroad, works with companies that can demonstrate their commitment to succeed in the global marketplace. Whether they are a small or large company, new or experienced in exporting to foreign markets, they need to prepare for the challenges of international business. Trade Commissioners can help you and your clients.

Services offered by all our Posts abroad include:

Market Prospect:

They will help assess your client's potential in their target market and provide:

- advice on doing business in the market;
- an indication of major barriers, regulations and certifications;
- notification of upcoming events (trade fairs, conferences, seminars, trade missions)
- and suggested next steps.

They may have market reports available for some sectors. Should your client need additional market research, they can refer you to qualified local firms.

Key Contacts Search

Need a list of qualified contacts in the target export market? Trade Commissioners have the local knowledge your clients need to refine and implement their market entry strategy. The list of contacts could include:

- potential buyers, partners
- agents, manufacturers' representatives

- distributors, importers
- consultants, accountants
- government officials
- associations, chambers of commerce
- freight forwarders
- lawyers and patent attorneys
- technology sources
- financial institutions

They will let your clients know of any charges for access to specialized databases.

Visit Information

Once your client decides to visit the country they want to do business in, the Trade Commissioner can provide practical advice on timing and organizing your trip, including lists of:

- local hotels;
- business support services;
- interpreters and translator;
- local transport providers.

Please recommend your clients use their travel agent to make appropriate hotel and travel arrangements. (Make sure your client has an up to date passport and visas as required.)

Face-to-Face Briefing

One of the Trade Officers will meet with your client personally to discuss the most recent developments in their target market and the company's future needs.

For an exploratory visit to the target market, your client should contact the Trade Commissioner of the visit at least two weeks before departure.

Local Company Information

The Trade Officers will provide information on local market organizations or companies your client has identified. Your client will always be informed of any access charges to specialized databases. Credit checks which may be required by EDC or the Banks are generally referred to specialized agencies.

Troubleshooting

If your client has an urgent business or market access problem? The Trade Commissioner can help.

However, they cannot enter into private disputes or act as customs brokers, sales agents, collection agents or lawyers.

Additional Services

For the following services, the Trade Offices will refer you to a third-party who generally charges a fee: extensive program of appointments, logistical support, business support services, participation in events, temporary office or display space.

Their Service Commitment

They will contact your client within five working days of receiving your client's inquiry. They treat all requests confidentially. All of the trade offices abroad provide the services listed above.

In countries where they do not have offices, their ability to provide the above services is limited.

Appendix A - Canadian Websites Offering Services on Export Market Development

EXPORT PREPARATION GUIDES

- **Team Canada Inc 1-888-811-1119** Export Information Service. The toll-free Team Canada Inc export information service connects businesses to the full range of government export services and expertise. Whether you are currently exporting or new to the opportunities of global markets, this service will make it easier to find the right program, service or expert to consult. Your call is answered by a trained information agent ready to provide answers to your questions and transfer your call directly to the many export services available. The service is available Monday to Friday, from 9:00 to 5:00 in every time zone in Canada through the network of Canada Business Service Centres. **www.cbsc.org**

- **ExportSource** ExportSource is a Team Canada Inc online service for Canadian business seeking export information. This export/trade information web site provides new and experienced exporters with a single access point for information on market research, export financing, export regulations/logistics, trade statistics, export contracts as well as trade shows and missions. ExportSource searches for information across multiple databases from various government and private links. **www.exportsource.gc.ca**

- **InfoExport** InfoExport is the International Trade web site of the Department of Foreign Affairs and International Trade (DFAIT). The InfoExport web site is designed to help Canadian companies in their efforts to export. Through this site, you will find information and services to help you measure your export potential, prepare for a new foreign market, and develop and implement a market entry strategy. Step by step, InfoExport will direct you to service points and additional

sources of information on topics such as training programs, financial assistance, business opportunities, and trade related activities. You will also find a series of sector-specific market reports which are extremely useful in preparing your international export plan. **www.infoexport.gc.ca**

- **Department of Foreign Affairs & International Trade (DFAIT)** This is DFAIT's most advanced electronic information dissemination platform. It allows users to obtain relevant information concerning DFAIT, its activities, programs and services. You can access DFAIT's home page at the following address: **www.dfait-maeci.gc.ca.**

- **Canadian International Development Agency (CIDA)** CIDA administers most of Canada's international development assistance programs in more than 140 developing countries. Many of these programs rely on support from Canadian businesses through consultants, contractors and suppliers. **www.acdi-cida.gc.ca**

- **Take a World View... Export Your Services!** Take a World View is a comprehensive information site for **service exporters**. This export-readiness tool will help you in any stage of your operation, from shedding light on exporting services, to helping you prepare the tools to export your services, to stepping onto the world stage. **www.strategis.gc.ca/twv**

- **Importing and Exporting** - General trade regulations and documents on NAFTA origin rules.
  www.ccra-adrc.gc.ca/customs/business/importing/menu-e.html
  www.ccra-adrc.gc.ca/customs/business/exporting/menu-e.html

MARKET INFORMATION & INTELLIGENCE

- **ACOA Reports** Trade related market studies and reports produced by ACOA. www.acoa.ca/english/business/trade/market.shtml

- **Canada Business Service Centres (CBSCs)** The CBSCs are your gateway to government information for business. The CBSCs provide a wide range of information on government services, programs and regulations and are there to answer your questions about starting a new business or improving an existing one.

- **Strategis** Strategis is Canada's largest business information web site. This site will provide you with the latest information on Canada's industries, export opportunities, international intelligence and business contacts, new technologies and processes, and much more to further develop and expand markets, create alliances and find new clients. The Trade and Investment category of Strategis has valuable information to assist you in your export research and planning. www.strategis.gc.ca

- **Trade Data Online** Through the Internet, Trade Data Online provides annual information on the value of imports and domestic exports - in terms of dollars or percentages - from/to over 200 countries for over 5,000 commodities (by HS codes) and over 500 industries (by Canadian and U.S. SIC codes) for the latest five complete years and the current year to date. Month to month information is also available for the last two years. www.strategis.gc.ca/tdo

- **International Business Opportunities Centre (IBOC)** This sourcing service was established to match business leads provided by Trade Commissioners abroad with business interests of capable Canadian firms, particularly small and medium-sized enterprises. The Centre uses electronic databases such as DFAIT's WIN Exports and Industry Canada's Canadian Company Capabilities and if necessary, engages

in a broad network of other federal, provincial departments and industry associations in order to identify potential Canadian suppliers of products and services. Export-ready Canadian businesses should register in the WIN Exports and Canadian Company Capabilities databases, to position themselves to receive trade leads. **www.dfait-maeci.gc.ca/trade/iboc_coai**

- **Statistics Canada International Trade Search** Search engine for statistics and research papers on Canadian exports, imports, trade balance, and merchandise trade. **www.statcan.ca/english/tradedata**

- **Agri-Food Trade Service ATS** The Agri-Food Trade Service (ATS) provides simplified centralized access to international market information and intelligence, export trade counselling and export support activities, which will take the exporter from initial enquiry to foreign market. **www.atn-riae.agr.ca**

- **ISO 9000** Series Briefing on the International Standards Organization 9000 Series, lists of accredited registrars and how to get certified. **www.scc.ca/iso9000/index.html**

- **IFInet** IFI Procurement and Capital Projects Opportunities. This information system, on the Internet, provides Canadian exporters with information on projects financed by the International Financial Institutions (IFI) in nearly 20 sectors of activities in emerging markets and developing economies. Canadian companies wishing to bid on IFI projects can access the system by obtaining a password through the Department of Foreign Affairs & International Trade. **www.dfait-maeci.gc.ca/ifinet**

- **Alliance of Manufacturers and Exporters Canada** The Alliance is active in opening international markets for you. The worldwide network of cooperation agreements will help you profitably develop business and grow on a global scale.

You will benefit from superior participation opportunities in foreign markets. www.the-alliance.org

- **Trade & Economic Analysis** The Trade an Economic Analysis Division provides a global, integrated, and forward-looking analytical view of trade, economic and foreign policy from a Canadian perspective. www.dfait-maeci.gc.ca/eet/menu-e.asp

- **Aboriginal Export and Trade Directory** This is a national directory of Canadian Aboriginal firms which are active domestically and abroad. This trade directory is designed to promote Aboriginal export capabilities to potential customers around the world. Aboriginally-owned firms may contact the nearest program office for information about being included in future updates. www.abc.gc.ca/trade/index-e.html

- **Businesswomen in Trade** The Department of Foreign Affairs and International Trade (DFAIT) Businesswomen in Trade Web site provides a unique focal point on the Internet for Canadian businesswomen. The site was created to support businesswomen with information relevant to exporting and export activities. It provides an Internet entry point to a wealth of information on how to prepare for, and to succeed in, the export marketplace, including direct links to other useful Internet resources and sources of information of interest to Canadian businesswomen. The Internet Web site address is: www.infoexport.gc.ca/businesswomen/menu-e.asp

- **International Market Research** The Team Canada Market Research Centre of the Department of Foreign Affairs and International Trade (DFAIT) produces a full range of sectoral market studies to help Canadian exporters identify foreign market opportunities. The Markets Reports provide a quick snapshot of the opportunities for a product or service in a particular market. Each report contains a market overview, a section on customers and distribution channels, an analysis of the

principal market-access issues, and a listing of key promotional venues. Reports also include the names of local importers and information on their size, product range and territory. www.infoexport.gc.ca/main-e.asp?act=2

- **CanadExport Newsletter** CanadExport, the Department's bilingual trade newsletter, is published twice monthly in print format. It is also available electronically as a regularly updated on-line publication and as an e-mail edition to those who subscribe by accessing the Internet site. CanadExport is distributed to some 70 000 Canadians subscribers, particularly small and medium-sized businesses, informing them of new trade and investment opportunities, programs and services for Canadian exporters, upcoming events such as trade fairs, seminars and business missions, trade-related publications, and export successes and winning strategies. CanadExport regularly features special supplements on various countries and regions and how to do business in these markets, as well as on important trade policies, programs and initiatives. www.dfait-maeci.gc.ca/english/news/newsletr/canex.

EXPORT FINANCING

- **Business Development Bank of Canada BDC** The Business Development Bank of Canada (BDC) offers a wide range of financial planning, training and counselling services to meet the special needs of enterprises at all stages of the exporting process. In order to expand its array of services to exporters, BDC and a number of financial institutions have formed strategic alliances. www.bdc.ca

- **Export Development Corporation EDC** The Export Development Corporation (EDC) helps Canadian exporters compete in world markets by providing a wide range of financial and risk management services, such as the all important export credit insurance, financing to foreign buyers of Canadian goods and services and guarantees. www.edc.ca

- **Canadian Commercial Corporation (CCC)** Small and medium-sized exporters may obtain pre-shipment financing through the Canadian Commercial Corporation's Progress Payment Program, developed in collaboration with Canadian financial institutions. CCC assumes the role of prime contractor, meaning in effect that the foreign buyer is contracting with the government of Canada. This enhances the supplier's credibility while increasing the customer's confidence. **www.ccc.ca**

- **Northstar Trade Finance Inc.** NORTHSTAR Trade Finance brings together the export strengths of the federal government through the Export Development Corporation (EDC) and Western Economic Diversification, the provincial governments of British Columbia and Ontario, and the private sector through the Bank of Montreal, the Royal Bank of Canada, and the Hongkong Bank of Canada. Northstar fills a recognized gap in the financial market by financing export sales transactions of between $100,000 and $5 million with repayment terms of one to five years. **www.northstar.ca**

- **Program for Export Market Development PEMD** PEMD is designed to increase export sales of Canadian goods and services by sharing the costs of activities through repayable contributions. It encourages Canadian companies to become exporters and helps existing Canadian exporters develop new markets. **www.infoexport.gc.ca/our-programs-e.asp**

- **Export Source** Export Source has a list of Canadian Federal and Provincial Programs, International Agencies and Private Sector Sources. **www.exportsource.gc.ca/cgi-bin/expkit/launch.pl?level=5&lang=E&prefix=e**

- **Banks** Here is a list of banks that can help you with your international financial transactions :

  Scotia Bank **www.scotiabank.ca/trade/index.html**

Bank of Montreal www.bmo.com/tradefinance/

National Bank www.nbc.ca

Royal Bank www.royalbank.com/trade/index.html

TDBank www.tdbank.ca

Canadian Imperial Bank of Commerce -

www.cibc.com/english/business_services/trade_finance.html

EXPORT SKILLS TRAINING PROGRAMS

- **Atlantic Canada Training Programs** See what your province has to offer in export skills training programs.
  NB : www.gov.nb.ca/edt/news.asp
  NS : www.novascotiabusiness.com/virtualtrade/home.htm
  NF : www.success.nfld.net/business/
  EDC : www.edc.ca

- **Forum for International Trade Training (FITT)** FITT provides interested exporters with a formal training and skills development program necessary to compete in the international market. www.fitt.ca

- **New Exporters to Border States (NEBS)** The NEBS program offers export educational seminars for companies not yet exporting to the United States. NEBS introduces the essentials of exporting and first hand exposure to markets in U.S. border states. www.dfait-maeci.gc.ca/geo/usa/nebs-e.asp

- **New Exporters to Overseas (NEXOS)** NEXOS helps exporters learn about new European markets by participating in an educational trade mission. NEXOS missions are arranged for groups of companies in the same general sector. The cost of the mission is shared with participants. www.infoexport.gc.ca/nexos-e.asp

- **New Exporters Training and Counselling Program (NEXPRO)** NEXPRO combines training and personalized follow-up counselling to guide participants through the exporting process. Owners and managers of small and medium-sized companies with export potential may wish to participate in this new exporters Training and counselling program.
  www.bdc.ca/scripts/site/display-products.asp?

- **Export Readiness Program** The Export Readiness Program is a software that you download to verify your level of preparation. It helps potential exporters in identifying, in a systematic and objective way, internal organizational structures, and product strengths and weaknesses in terms of export potential. The program was developed for the Department of Foreign Affairs and International Trade (DFAIT) and derived in part from a program "Company Readiness to Export" developed and owned by Bradley University of Illinois, U.S.A.
  www.strategis.ic.gc.ca/ssg/sc01304e.html

ONLINE TRADE TOOLS

- **Metric Converter** Convert length, weight, pressure, and volume from metric to imperial measures. **www.worldwidemetric.com/metcal.htm**

- **Currency Converter** The daily currency converter with hourly exchange rates. **www.caribbean-connection.com/currency-converter/index.html**

- **Web Telephone Directories** Index of phone books from all around the world. **www.contractjobs.com/tel**

- **EuroPages** 150,000 company addresses from over 25 European countries, with company brochures, key business information and links to yellow pages throughout Europe. **www.europages.com/home-en.html**

- **Digital Passport** Currency Exchange, International Holidays, Time Zones, Embassies, Airlines, International Deliveries, International Airports. www.rubicon.com/passport.html

- **Distances and Maps** How far is it ??? www.indo.com/cgi-bin/dist

- **Export Costing Sheet** What is a costing sheet? This is your guide to pricing out how much it will cost you to produce, transport, deliver, and finance your international transaction. Each costing stage identifies the different delivery terms which will affect your responsibilities and risks in the transaction. At each stage of pricing, your costs and quoted price to your buyer will increase. www.cbsc.org/alberta/export_nav_source.html

- **Incoterms 2000** ICC's standard commercial terms, Incoterms, are in constant daily use in international sales contracts throughout the world. They have been fully revised for the new millennium in line with developments in commercial practice. Published in September 1999, Incoterms 2000 may be used to define the responsibilities of buyer and seller in contracts effective from 1 January 2000. www.iccwbo.org/home/menu_incoterms.asp

- **The Library** Find over 650 business articles and self-help guides by leading business experts, a business chat room, software tools and over 2500 support organizations. www.strategis.ic.gc.ca/SSG/mi03933e.html#library

Appendix B - How to Prepare an Export Marketing Plan

Market planning is a key ingredient to initial success in the export market. Many companies begin their export activities without a good plan trusting to luck and serendipity to carry the day. While these companies may have a measure of short term success they generally fail in the longer term and rarely become successful exporters. Formulating an export strategy based on good information and proper assessment of both the company and the marketplace increases the chances that the best market options will be chosen, resources will be used effectively and efforts will be carried through to a successful conclusion. In preparing an export marketing plan remember that this document must be seen as an integral part of the company's overall business plan. It can not be prepared in isolation of the other aspects of the company's business. The domestic and export markets must be integrated and support one another.

The market plan outline given below can be used by the new to export firm to prepare their first export marketing plan.

I Introduction: Why Should This Company Export?

This section should provide the basic rationale for why the company is choosing the export marketplace. The reasons should be profit oriented and fit in with the company's overall business plan.

II Situation and Background Analysis

In this section the company should provide some background on their internal resources and the structure of their industry. The information should be specific to the export plan and identify the strengths the company feels it has that will allow it to export successfully. Areas to be covered include:

-Product/Service

What is the company planning to export? Why do they feel it will be successful? Will this product/service have to modified for the export market?

-Current Operations

What is the company's current business structure? How will it complement the export drive? How will it support export marketing?

-Proposed Export Organization

How will exporting be handled by the firm? Who in the firm will be directly responsible for export operations? What resources (dollars and cents and personnel) will be devoted to the export drive and over what period of time?

-Industry Structure

What industry is this company involved in? What is the industry's stage of growth in the Canadian and world markets? Who are the major competitors domestically and internationally? Is this product or service readily exported by other Canadian or foreign firms?

III Marketing Component

In this section the firm should identify how it will identify and select target markets and how it will service them. The firm should also develop specific sales and profit targets

for its export drive. Elements of this section include:

-Identifying, Evaluating and Selecting Target Markets

How does the firm intend to identify target markets? What resources, either government or private sector are available to assist with market identification? What criteria will the firm use to choose markets for a direct approach?

-Product Selection and Pricing

What products or services will be offered in each target market? How will pricing be determined? What currency will be used in pricing?

-Distribution

What distribution methods will be used? Will the firm use an intermediary or work directly with end users? What level of commissions is the firm prepared to pay?

-Terms and Conditions

On what terms will the firm sell? Who is responsible for shipping, insuring and clearing the product through customs? How will exports be financed, letter of credit, open account etc.?

-Internal Procedures

How will export orders be processed? Who will be directly responsible for ensuring that all contract conditions will be met?

-Sales Goals

What are the firm's sales goals in each market they chose to pursue? In what period of time will these goals be met? What are the company's profit targets? Is the firm prepared to suffer a loss on initial export operations? Is yes, for how long?

IV Action Steps

In this section the company identifies its primary and secondary target markets and describes how the market will be approached and developed.

-Primary Markets

What will be the firm's primary market(s)? How will they be approached? What sales goals exist for the market?

-Secondary Markets

What will be the firm's secondary market(s)? When and how will they be approached? What level of effort will be devoted to these markets relative to primary markets? What sales goals exist for these markets?

V Export Budget

In this section the firm should prepare a budget for their export drive including clearly identifying where the money will come from. Sections will include:

-Marketing Budget

How much money will be devoted to each market? How and when will it be spent?

-Product/Service Development Budget

How much money will be required to adapt the firm's product or service to the primary market(s) identified? Over what period of time will it be spent?

-Manufacturing Budget

How much money will be required to adapt the firm's manufacturing process to meet the needs of the export market? Over what period of time will it be spent?

VI Implementation Schedule

In this section the company will develop firm time lines for its export market drive.

-Marketing Schedule

When and how will each identified market be approached? What is the projected timing of sales and profit goals?

-Production/Service Schedule

When will the modified product or service be available for customer demonstration and actual production?

-Management Review

When will management reviews of the export push be held? Who will be in attendance?

VII Feedback and Evaluation Mechanisms

In this section the firm should discuss how it will develop feedback on the export drive and how it will be evaluated.

WIN Exports

An important part of successful export marketing is making a firm known to potential international customers. The World Information Network for Exports (WIN Exports) is a computerized database of export ready Canadian firms and their capabilities maintained by DFAIT. It is used by federal and provincial trade officers in Canada and abroad to match Canadian expertise with international business opportunities. Over 140,000 requests for information on potential Canadian suppliers of goods and services are received annually by our trade posts overseas. The majority of these are answered using information from WIN. Your export ready clients should ensure they are registered in WIN and obtain access to this huge volume of potential export leads.

Companies interested in registering in WIN can contact one of the Trade Team Canada partners or DFAIT directly at (613) 996-5701.

Appendix C - Export Costing Sheet

What is a costing sheet? This is your guide to pricing out how much it will cost your client to produce, transport, deliver, and finance your international transaction. Each costing stage identifies the different delivery terms which will affect the responsibilities and risks in the transaction. At each stage of pricing, costs and quoted price to the buyer will increase. Below is a summary of the export costing process by the four most common Incoterms (delivery terms). Should you require more information on export costing or Incoterms, please consult the Department of Foreign Affairs website.

1. CALCULATING AN EXWORKS TRANSACTION

Production Cost

Material	$	
Labour	$	
Plant overhead	$	
Administration	$	
Financing costs	$	
Domestic duties	$	
Total cost of production		$

Foreign Marketing

Travel accommodations	$	
Promotion	$	
Communications	$	
Translation	$	
Professional fees	$	
Agency marketing costs	$	
Total marketing costs		**+$**

Preparation for shipping

Labelling	$	
Packaging	$	
Packing	$	
Marking, etc.	$	
Total shipping preparation costs		**+$**
***Total Cost ExWorks of Product**		**=$**

International Financing

Costs of instruments	$	
Export credit insurance	$	
Discount on receivables	$	
Currency conversion fees	$	
Loan interest costs	$	
Total international financial		**+$**
Profit mark up		**+$**
QUOTE EXWORKS PRICE AT		**=$**

2. CALCULATING AN FOB TRANSACTION

*Total Cost ExWorks of Product	$

Domestic Freight

Documentation	$	
Factory loading charges	$	
Transportation to port	$	
Unloading at port	$	
Storage	$	
Port Cost	$	
Ship loading charges	$	
+++Freight forwarding fees	$	
Total domestic freight		+$
****Total Cost FOB of Product**		=$

International Financing

Costs of instruments	$	
Export credit insurance	$	
Discount on receivables	$	
Currency conversion fees	$	
Loan interest costs	$	
Total International freight		+$
Profit mark up		+$
QUOTE FOB PRICE AT		=$

3. CALCULATING A CIF TRANSACTION

**Total Cost FOB of Product	$

International Freight

International freight	$	
Shipping insurance coverage (usually 110% of value)	$	
Total International freight		+$
***Total Cost CIF of Product**		=$

International Financing

Cost of instruments	$	
Export credit insurance	$	
Discount on receivables	$	
Currency conversion fees	$	
Loan interest costs	$	
Total international financing		+$
Profit mark up		+$
QUOTE CIF PRICE AT		=$

4. CALCULATING A DDP TRANSACTION

***Total Cost CIF of Product	$

Customs

Unloading at receiving port	$	
Foreign duties	$	
Broker fees	$	
Storage	$	
Total landing/clearing costs		+$

Inland Freight

Loading charges	$	
Transportation	$	
Unloading at destination terminal	$	
Total inland freight		+$
****Total Cost DDP of Product**		=$

International Financing

Costs of instruments	$	
Export credit insurance	$	
Discount on receivables	$	
Currency conversion fees	$	
International loans	$	
Total international financing		+$
Profit mark up		+$
QUOTE DDP PRICE AT		=$

Notes:

Foreign Distribution Agent(s)

Depending on your distribution channels, there may be a need to involve a local agent. In such cases, these individuals or businesses are going to require a commission payment based on the work that they undertake on your behalf. You will need to add these additional costs to your pricing quotations.

Freight Forwarders

Freight forwarding fees will vary depending on the responsibilities undertaken by the Incoterms. That is, the freight forwarders' fees for FOB will be lower as the responsibilities end at the departure port. The freight forwarders' fees for DDP will be increased as responsibilities extend to the destination terminal.

Advisory Note

Please note The Business Link advises that this costing sheet is to be used as a guide only. It may not necessarily include all costs for all export transactions. For further assistance, please consult your Yellow Pages under the listings of Export Representatives, Exporters, Freight Forwarders, and Customs Brokers.

Appendix D - TradeSpeak, - A Glossary of Important Acronyms and Terms in International Trade

AAFC- Agriculture and Agri-Food Canada plays a major role in assisting the agri-products industry in its international trade and marketing efforts.

ATN- Agri-Food Trade Network operated by AAFC to provide trade development information to the agri-food industry.

AMEC- Alliance of Manufacturers and Exporters of Canada. A new group formed in 1996 from the merger of the Canadian Manufacturers' Association and the Canadian Exporters' Association.

ACIS- Automated Customs Information Service operated by Revenue Canada.

BDC- The Business Development Bank of Canada is a crown corporation which promotes the creation of small and medium sized businesses in Canada.

CanadExport- DFAIT's international trade newsletter.

CBSC- Canada Business Service Centre

CIDA- The Canadian International Development Agency is responsible for administering Canada's official development assistance.

CCC- Canadian Commercial Corporation offers exporters a wide range of services designed to help them sell to foreign governments and international agencies.

CEA- The Canadian Exporters' Association. Merged in 1996 into the Alliance of Manufacturers and Exporters of Canada.

CIBS- Canada's International Business Strategy is an annual compilation of the export development activities of all government agencies in Canada.

CIBS- The Centres for International Business Studies are university based institutes funded by the Department of Foreign Affairs and International Trade to promote the study of international trade.

CSA- Canadian Standards Association

CUSTA- The Canada-USA Free Trade Agreement. Often used interchangeably with FTA.

DFAIT- The Department of Foreign Affairs and International Trade is the federal government's lead agency for the promotion of international trade.

EDC- The Export Development Corporation is a crown corporation offering financial and risk management services to Canadian exporters.

EU- The European Union, formerly referred to as the EEC or EC, European Economic Community.

FAXLINK- DFAIT's export information fax back service.

FITT- The Forum for International Trade Training. A Canadian organization providing international trade training.

FTA- The Canada-USA Free Trade Agreement. Often used interchangeably with CUSTA.

GATT- The General Agreement on Tariffs and Trade, replaced in 1996 by the World Trade Organization.

HS- Harmonized Commodity Description and Coding System. Internationally recog zed system for classifying merch ndise in international trade.

IBOC- International Business Opportunities Centre operated by DFAIT as a central clearing house for sourcing Canadian goods and services.

IBRD- International Bank for Reconstruction and Development, the World Bank.

IC- Industry Canada

IMF- International Monetary Fund

INCOTERMS- A set of rules first developed by the International Chamber of Commerce in 1936 to provide standard definitions of the most commonly used trade terms in international trade.

InfoCentre- DFAIT's information, reference and consultation service for Canadian exporters. Reached via an 800 number, fax, e-mail or the Internet.

ITC- In Canada, the International Trade Centres are federal government export development offices operated jointly by DFAIT and Industry Canada.

ITC- Outside of Canada, ITC refers to the International Trade Centre in Geneva funded by the United Nations. This organization assists export marketing by the developing countries.

NAFTA- The North American Free Trade Agreement.

NEBS- New Exporters to Border States, an export readiness program offered by DFAIT in cooperation with Industry Canada and the provinces.

NEXPRO- New Exporters Training and Counselling Program is a comprehensive training tool offered to SMEs by the Business Development Bank of Canada.

NGO- Non-Governmental Organization, such as Care Canada.

OECD- Organization for Economic Cooperation and Development.

PBEC- Pacific Basin Economic Council

Strategis- An Internet based trade information database operated by Industry Canada

TCS- The Trade Commissioner Service of DFAIT.

WIN- The World Information Network database administered by DFAIT.

WTC- World Trade Centre

WTO- The World Trade Organization, the successor to the GATT.

Appendix E - Government Trade Development Programs Available in Atlantic Canada

ACOA's Business Development Program

The BDP is designed to help firms set up, expand or modernize their businesses. Focusing on the SME, the program offers access to capital in the form of interest free, unsecured, repayable contributions. Activities eligible for funding include:

- business start up, expansion or modernization
- tender bid preparation
- training, productivity and quality improvements
- trade development and marketing
- consultant advice

Each of these areas impacts on a firm's export readiness and are critical to export success. The BDP can be a powerful tool in exporter preparation.

Program for International Business Development (PIBD)

The PIBD is an amalgamation of a number of DFAIT led trade and investment development initiatives including the government initiated activities of the Program for Export Market Development (PEMD), the Access North America Program and the Technology Inflow Program. Activities included in the program are a wide range of trade fairs and missions, conferences, workshops, seminars, development of advertising and promotional tools, training and market research. Major PIBD components include:

New Exporters to Border States (NEBS)

NEBS provides Canadian firms with practical information and first hand exposure to a U.S. border market. Participants travel to a Canadian trade post across the U.S. border (normally Boston for Atlantic Canadian firms) and participate in a two or three day

course on the basics of exporting to the U.S. Where possible the visit is coordinated with a major trade show.

Companies interested in the NEBS program can contact a Trade Team Canada member, their local International Trade Centre or the U.S. Business Development Division at DFAIT (613-944-6577).

New Exporters Overseas (NEXOS)

NEXOS is similar to NEBS but focuses on the western European market. NEXOS participants travel to Europe to participate in on-site training and, normally, to visit a major trade show. NEXOS missions are sector specific. Companies interested in the NEXOS program can contact a Trade Team Canada member, their local International Trade Centre or DFAIT (613-996-5555).

Trade Fairs and Missions

DFAIT (through the PIBD), other federal government departments and provinces organize participation in numerous trade shows and missions each year. Events generally take one of three forms:

- **Incoming Trade Missions** are visits to Canada by foreign buyers designed to increase the visitor's knowledge of Canada as a source of goods and services.
- **Outgoing Trade Missions** are visits by selected Canadian firms to a target foreign market. They provide an opportunity for new to market firms to obtain current information and intelligence that will speed market entry.
- **Trade Fairs** are used for gathering market intelligence and introducing new products. The federal government and provinces participate in numerous trade show around the world each year.

Canadian participation in each of the types of events listed above are listed in Canada's International Business Strategy. Companies interested in participating should obtain a copy of the CIBS or contact one of the Trade Team Canada partners.

Each of the PIBD components contains some degree of cost recovery with some fairs and missions events operating on the basis of full cost recovery.

Program for Export Market Development (PEMD)

The venerable PEMD program is DFAIT's primary international business development program. PEMD provides conditionally repayable assistance in support of a variety of activities to help Canadian exporters expand their offshore markets. The principal components of PEMD are the Market Development Strategies section, the Capital Projects Bidding section and the New-to-Exporting component. Each of these parts of the program targets companies with sales of less than $10 million per annum or less than 100 employees.

Companies interested in PEMD should make contact with their nearest International Trade Centre.

Appendix F - Selected Papers on the Subject of Exporting

Road map to Exporting

Many companies compete and win in foreign markets everyday. Here are their tips for success.

Zoom in on the most promising markets

Successful companies concentrate on one foreign market at a time, moving on to the next only after succeeding in the last.

Learn from successful companies

They talk to Canadian companies that have succeeded in your client's target market. Contact the industry association to find names of successful companies. Many are willing to share what works and what doesn't.

Plan the financial resources you'll need

Exploring foreign markets can take longer and cost more than expected. Companies must be prepared for significant costs for market research, product launchings and several personal visits.

Gear up for demand

They must be prepared to meet increased demand from a successful foreign sale. They may need to also plan how to will adapt their products or services to the needs and tastes of the target market.

Make personal visits

Building business relationships in foreign markets is best done face to face. Faxes and phone calls are great for follow-ups but nothing beats meeting in person. This includes corresponding and meeting with the Trade Commissioner located at the nearest Canadian Embassy or Consulate nearest the target market.

Study the market and the culture

Business people and customers in most foreign markets will appreciate and reward efforts to learn about their culture.

Set realistic expectations

Developing foreign markets is a long-term commitment. It takes time, effort and money. Make sure senior management is committed. Be prepared for the long haul and make perseverance their critical success factor.

Know Before You Go- to the United States

Immigration Rules

While Canadian business people may enter the U.S. to attend trade shows, meet with buyers, look for reps and take orders, it is not legal to actually sell your products while you're there. You can take orders while you are in the States, but you cannot accept money in exchange for actual products while there. This is a law of U.S. Immigration and Naturalization (not U.S. Customs) and unknowing Canadians have been shocked to be turned back from the border or in some cases, have even had their products seized as they attempted to pass through Customs and Immigration.

U.S. immigration law under Title 8, Code of Federal Regulations, Part 214.2(b), item (D)(1) admits only "sales representatives and agents taking orders or negotiating contracts for goods or services for an enterprise located in the territory of another Party, but not delivering goods or providing services". Let's dissect this information as it applies to your day at a U.S. retail show. You are the principal of, or partner in, your company; in other words, you are not a sales representative. You are not taking orders or negotiating contract. You are delivering goods. You are breaking the law.

There are only two ways to comply with the Immigration rules if you wish to have your products featured in a trade show. The first is to bring samples only to a show and write orders (which is how most trade shows are conducted), then ship your products when you return to Canada. The second option is to sell your products to an American distributor

who will, in turn, resell. The only way you can be exempt from this law is if you hold dual citizenship (U.S. and Canadian) or you can provide proof of "50 per centum or more of the blood of the American Indian race".

Though these rules appear strict, remember that the North American Free Trade Agreement (NAFTA) actually favours Canadians, Americans and Mexicans wishing to do business in each others' countries. If you have any questions relating to the law and how it may affect a special situation, it is best to call U.S. Immigration for clarification.

U.S. Immigration information on Canada Business Travel to the U.S. can also be found on the Web site http://www.usembassycanada.gov. Department of Foreign Affairs and International Trade produces the publication "Cross - Border Movement of Business Persons and the North American Free Trade Agreement" which is available at Web site. ***http://www.dfait-maeci.gc.ca/trade/nafta-alena/cross-e.asp.***

Export Tips to Remember

If you are travelling on business, phone a U.S. Immigration Officer for advice well in advance of your trip. Documentation, such as copies of contracts or a letter from an American company as to why you are going to the United States, can be very important to U.S. Immigration.

Do not deliver product with you when travelling on business into the United States. Product must be shipped separately to be processed by Customs officials. Samples can be a "gray area". Well in advance of travelling, it is best to phone a U.S. Immigration's Officer for advice on transporting samples.

Selling services in the U.S. without products or investment is highly controlled. You must contact a U.S. Immigration's Officer for entry advice well in advance of your trip.

Do not charge GST to your American accounts! If your computerized billing system automatically adds GST and you can't reprogram your system, cross out the amount of GST and re-calculate the new invoice amount manually.

Remind your U.S. customers that the postage amount differs to Canada. You may even want to write or stamp it in colour on your invoice. Remind them to check their postal service for rates.

Shipments to the U.S. require the buyer's federal tax ID number. Should your buyer not have one, you'll need their IRS number. If your customer is reluctant to provide this information, simply explain that it's a rule of the U.S. (not Canadian) government for all direct imports. Then be sure to keep it on file so you'll never need to request it again!

How To Visit A Trade Show

Many of us wait until the week prior to a trade show to make plans for the event. Even though your attendance might earn good results, we suggest that by beginning your planning earlier, you can enjoy a higher return on your investment. This brief will help you to focus on the key elements that are important in planning your participation at your next trade show. Also, by understanding the channels which are available to you for gathering technical and purchasing information in advance of a show, you can increase your productivity during a trade show.

Just The Facts

Surveys of visitors at trade shows reveal that the element most prized in an exhibitor's booth is product-knowledgeable personnel. Visitors actively seek out booth people who offer in-depth product knowledge, technical assistance and application demonstrations. In essence visitors most value exhibitors who help them make informed purchasing decisions.

The well-prepared trade show visitor accelerates the product selection process by capitalizing on the personal consultation available from knowledgeable exhibitor staff. This process can be enhanced by the technical demonstrations, interactive computer programs and the opportunity for comparison shopping that are available at most major trade shows.

What Visitors Most Dislike

Surprisingly, trade show attendees report that their biggest dislike is lack of product knowledge in booth personnel. They are also irritated by aggressive, high-pressure sales presentations, "products with no shortcomings or limitations", lengthy sales talks and being ignored by booth personnel. Prospective buyers also noted that exhibitors that feature non-business related entertainment acts, professional models or ornately designed booths are considered a waste of time in today's hectic fast-paced business environment. Attendees want more information specific to their needs with fewer distractions.

Today's Focused Buyer

Conducting business has now become the prime reason for attending a trade-show which was not always the case in the past. In less competitive times, attendance at trade shows was all to often viewed as an opportunity to escape the job routine, have a good time on the expense account and routinely engage in business activities to justify the respite offered at past trade shows.

A Passing Era

The carnival atmosphere of trade shows of previous decades has given way to today's sharp targeting of the needs of busy industrial buyers. Nowadays, the most effective exhibitors provide attendees with far fewer distractions and far more information specific to their needs. These events are now more characterized by an awesome over-abundance of technical information product operating characteristics, data about

underlying technology, prices and terms of sale and comparative offerings by competing suppliers.

The Key is Planning

Because there has been a reduction in overall trade show attendance in the U.S. and Europe, the ratio of serious buyers to less influential buyers at trade shows has increased. As a result, more and more visitors attend trade shows with precisely defined business objectives to accomplish. Their attendance is aided by tightly planned schedules. Such preparation enables the focused visitor to make effective use of the time and monetary investment spent in attending the show. If you are not among the people planning your show attendance, it might be worthwhile for you to reconsider your customary practices. Without a definite plan, your productivity is not as high as it could be.

In Advance of the Show

In preparing to attend a trade show, it would be most useful to place current suppliers at the top of the "to see" list. These exhibitors offer an opportunity for you to ask technical and purchasing questions regarding current or new projects. A further benefit is the chance to renew relationships with the supplier's office staff and to meet people in person who may only be a voice on the phone or a name on a fax.

Next on your exhibit-visiting itinerary should be infrequent or occasional suppliers who may have a product or service for some future project. Then, added to the pre-show list might be a few companies that might offer potential products or services which could prove useful.

A show planning schedule also includes any important workshops, presentations of pertinent technical papers, meeting with key people who may provide competitive market intelligence and contacts useful for professional education or possible recruiting.

Data Gathering in Advance

Although an exhibitor's booth is conventionally considered the dominant information source for the show, the focused visitor uses many channels to gather technical and purchasing data in planning to attend.

In the weeks prior to the show, visitors tends to be exposed to four basic levels of non-personal supplier information. Once on the exhibit floor, both personal and non-personal communications take place between exhibitor and attendee. Here are some channels of product information that are often available to you before and during the show:

A. Prior to exhibit

Advertisements in trade publication
Feature stories and press releases in trade publications
Invitations to visit exhibit booths and hospitality suites
Invitations to supplier-sponsored local social events

B. Non-personal in-exhibit

Film, video and live demonstrations
Static visual displays
Sales literature

C. Personal in-exhibit

Technical and sales/people in exhibit booths
Personal demonstrations at exhibit booths
Social events attended sponsored by exhibitors
Colleagues from other firms

The points stated in the above paragraphs reveal that your access to technical and purchasing information that is being disseminated by exhibitors, extends far beyond the

exhibit booth and the direct influence of the exhibitor. These channels encompass many formal and informal sources which can generate additional benefits for you.

Maximizing Your Time and Investment

Upon arrival at a major industrial trade show, most of us are typically confronted with an overwhelming and huge exhibition hall. The show presents hundreds of supplier exhibits staffed by thousands of people who are promoting a myriad of products and services. In this daunting environment, how can you make the trade show productive using the limited time that is available more effectively, in order to justify the monetary investment that the trade show entails?

Our solution for you requires pre-show investment of time and effort in planning an itinerary/agenda for attending the exhibition. This way, you can maximize the opportunity for business results during the show itself. Remember these key points for planning your next trade show visit, and the event is sure to be more successful while reducing the stress caused by the number of things to be accomplished in a short time frame:

Prepare a list of suppliers and other exhibitors to see based on your current and future projects.

Make social appointments with current and prospective suppliers to capitalize on your limited time at the show. These contacts are invaluable in expanding sources of information.

Schedule any workshops, presentations and professional contacts prior to the show.

Allocate leisure time to see some sites of interest in the host city.

The New Competitive Edge

Today, more and more buyers turn to the Internet to locate, qualify and order products and services on the Internet, also called the World Wide Web.

This emerging international marketplace contains many companies alert to marketing opportunities. The reason is because it provides prospects with 24-hour global access to sales and technical information. The potential is for the Internet to become "the telephone" of the future. It is certain that this technology is fast becoming an important source for information.

What Advantages Does The World Wide Web Offer Small Businesses?

The Internet offers small business unprecedented opportunity to compete with larger companies. Placing a Web site on the World Wide Web, (Internet) immediately provides a small company with a platform to reach prospects and customers around-the-clock. Because the Web is a global network with connections in over 100 countries, it opens an international market for every company. Customers in Japan, or Great Britain, or Brazil, or Singapore can now discover what a small business in Germany has to offer. So no longer are companies limited by geographic location or lack of branch offices. They can now have a presence online that reaches prospects around the world.

Closer to home, small businesses also benefit from the Internet by accessing their own vendors and suppliers online. They can also obtain information by screening competitor sites. Most companies find they get faster response time and better service when they use email to contact customer support desks. Substituting email over the Internet for more costly phone and fax communication will save money and project the image of a well-connected, technically advanced company. And the more the Internet grows the more valuable all these advantages become. Even if you think the Internet may not yet be ready for your products or services or that you might not be ready for the Internet you can't get involved too early in something as potentially rewarding as the Internet.

Benefits Of A Web Site

Ask yourself this question,"should I invest my time, energy, money, and other resources in marketing my products or services over the Internet or should I work on something else?"

Of course, there is no one right answer for every situation. However, consider the following. No one will advise you to stop marketing your products and services in ways that are presently successful for your company. By all means keep doing whatever works.

With a Web site on the World Wide Web, you are taking advantage of a sales channel that places your company in an accessible new communications environment. Any Internet marketing activities you begin should provide additional exposure and should complement your traditional marketing efforts (and vice versa).

The Internet is potentially the greatest advertising tool and time saver that industry has ever seen. Where else can you advertise your company and get worldwide attention at a lower cost than any other communications tactic? This market is clearly too large and growing too fast to be ignored for long. Granted, most web sites remain simply brochures online. Yet even that has benefits because it saves the cost of mailing the brochure.

Key Contacts for Getting into Electronic Commerce

- Industry Canada offers Strategis, Canada's most comprehensive business website, at http://strategis.ic.gc.ca. It contains information on E-com policy. Practical advice on how to get into electronic commerce is available at http://e-com.ic.gc.ca.

- Canada Business Service Centres offer an integrated federal/provincial business information and referral service, jointly managed on the federal side by Industry Canada; Atlantic Canada Opportunities Agency; Western Economic Diversification; and Canada Economic Development for Quebec Regions. Visit http://www.cbsc.org, or call 1-888-576-4444.

- The Canadian Technology Network offers counselling on business technology and will direct you to other information sources. Find out more on-line at http://ctn.nrc.ca, or by calling 1-888-CTN-0001.

- The Industrial Research Assistance Program (of Canada's National Research Council) helps small and medium-sized Canadian businesses create and adopt innovative technologies that yield new products, create high quality jobs, and make industry more competitive. Visit http://www.nrc.ca/irap, or call 1-877-994-4727.

- Business Development Bank of Canada's more than 80 branches deliver financial and consulting services to Canadian businesses, focussing on emerging and export sectors. BDC's techno.net loan offers term loans from $25,000 to $500,000 to establish E-com capacity. Go to http://www.bdc.ca, or call 1-888-INFO-BDC (1-888-463-6232).

- Industry Canada's Student Connection Program provides small and medium-sized businesses with a hands-on, customized Internet training ranging from the very introductory to advanced search techniques, website design, and Internet banking. Visit http://www.scp-ebb.com, or call 1-888-807-7777.

- The Community Access Program (CAP) provides Internet access through community-based facilities such as libraries, schools and other suitable locations. Check it out at http://cap.ic.gc.ca.

- Team Canada Inc: The Internet instantly makes your company global. For more information on exporting and international business development services, go to http://exportsource.gc.ca, or call 1-888-811-1119.

Internal Communications on The Web Called "Intranet"

Some companies are using the structure and tools of the World Wide Web today to aid their own internal communications and alleviate data access problems through a development called "Intranet." As the name implies, the Intranet is an intra-company communications system. Basically, any number of computers storing information and communications software, called "servers", are linked together in a confidential, company-only "web." This allows employees to access information throughout the company using conventional browser software. In many cases, an Intranet web closely mirrors the organizational structure of a company itself. Thus, servers offer general information such as corporate news, human relations information and electronic mail. They also provide opportunities for research groups and manufacturing to share information globally and speed cross-functional exchanges.

Should I Start Marketing on the Internet Today?

The number of people using the Internet is expected to soar to 1.13 billion by 2005 from 391 million in 2000. All the media talk about the World Wide Web promises opportunity for the future, but caution should be used because marketing on the Web is still very new. With that in mind, let us note that there are two general approaches to marketing on the Web. The first, and more likely for companies, is to use the Web as a supplement to traditional marketing. This is just one more tactic in an overall communications strategy. This will give the company more exposure to potential customers and therefore, more sales. The second reason to develop a web site is to use the Web to generate profitable online business. In this discussion, we are limiting the focus to the first reason.

Projections of Online Linguistic Populations

	1996	2000	2001	2002	2003	2004	2005	Penetration Rate (2005)	Population in millions
Spanish	*0.2*	*21*	*30*	*45*	*60*	*80*	*110*	*33%*	*332*
Japanese	*2.0*	*39*	*45*	*52*	*58*	*65*	*77*	*62%*	*125*
German	*0.5*	*22*	*30*	*38*	*46*	*53*	*58*	*59%*	*98*
French	*0.2*	*17*	*22*	*26*	*30*	*34*	*38*	*53%*	*72*
Chinese	*0.1*	*31*	*60*	*110*	*160*	*200*	*250*	*28%*	*885*
Scandinavian	*2.0*	*9*	*10*	*11*	*12*	*13*	*14*	*73%*	*19.3*
Italian	*0.1*	*12*	*15*	*19*	*23*	*28*	*33*	*58%*	*57*
Dutch	*0.1*	*7*	*7*	*7*	*9*	*10*	*12*	*60%*	*20*
Korean	*0.0*	*17*	*22*	*27*	*35*	*43*	*50*	*67%*	*75*
Portuguese	*0.0*	*11*	*15*	*23*	*32*	*45*	*60*	*35%*	*170*
Other Non-English	--	*25*	*44*	*66*	*94*	*127*	*197*	--	--
English	***40.0***	***192***	***208***	***220***	***230***	***240***	***250***	***50%***	***500***
Total Non-English	*10.0*	*211*	*300*	*425*	*560*	*700*	*900*	*16%*	*5760*
TOTAL	***50.0***	***391***	***494***	***630***	***774***	***922***	***1130***	***19%***	***6085***

Source: http://www.glreach.com/globstats/evol.html
Values in millions of people

How Can A Marketer Use A Web Site?

- Offer sales and technical product literature
- Provide technical support
- Generate new prospects
- Incorporate online forums, or "chat-rooms"
- Include events schedules
- Seek customer feedback
- Create an internal Web called Intranet for employee information

How Does A Company Create A Web Site?

Definitions

In its basic form, a Web site is one or more electronic pages that appear on a computer screen consisting of text and graphics. A Web site is customarily stored on a computer with a local Internet Service Provider, a company that charges a monthly subscription fee. The computer used by the "service provider" is called a server which is connected to the Internet. An Internet service provider, also called a "host" can add your electronic Web site files to the Internet. Since every Web site on the Internet needs an address, the typical web service provider will issue an address, called a URL (Uniform Resource Locator) for your Web site. Your address is customarily registered by your service provider for a nominal fee, that gives it a "domain name", with your company name, and adds ".com " if your firm is a commercial enterprise.

Creating and Developing Your Web Site

Set goals. Before you embark on any new marketing venture, set goals for it. Some businesses create Web sites: to develop new business, or to put information online or to take requests for support. Design your site according to your goals. For instance, if your site is designed to provide technical support, make sure you have the personnel to fulfill this objective. Setting goals ensures your Web site development will complement your existing marketing efforts.

Evaluate other company sites. Before you begin your own site, spend some time online, and see what other firms are doing. Use the industry links to the chemical industry (see list at end of this article) to find out how other firms in your market area of are now using the Web. It is interesting to see how their sites are designed and what they offer online. Take a look at these sites for ideas or inspiration. "Download" these pages to your PC and then print the pages of the sites that are attractive.

Locate an Internet service provider. This is the most common means of accessing the Internet. Your "provider" usually employs a designer called a "Web master" who can help with many aspects of Web site development, including registering a specific URL domain name for your company, registering with search engine programs and more. If possible, look for a provider serving business customers selling technical products.

Find a good web consultant and design for your goals. Today, a web consultant who is knowledgeable in the business can help a client communicate better with its prospects and customers. Work with an outline of the topics you want to include in the Web site before the consultant begins writing it. One of the key questions to examine is the extent and size of graphics treatment. Large, elaborate digitized graphics files take much longer to download, so there may be a delay of as much as a few minutes, depending on the speed of the user's modem and the complexity of the graphics. Consult your web site designer and your provider to determine your best course of action.

Build in a mechanism to track results. Although there are no solid demographic figures on web sites, it's possible to develop your own tracking mechanisms. For instance, by offering something of value to your audience, such as a newsletter or survey results, you may entice users to leave their email addresses or some other identification in exchange for the information. Sites should offer users an email icon, and your web provider should be able to provide a counter to determine the number of visitors viewing your site on a daily, weekly or monthly.

Change it. It's important to keep updating your site, offering new information, industry reports, a newsletter, or other options to encourage users to return. Some sites include monthly features or other time-sensitive materials that visitors will refer to regularly.

How To Promote Your Web Site

Establishing a presence on the World Wide Web is just the beginning, but it does not mean much if you are not prepared to spend time and money to promote the Web site to potential customers. Once your Web site is up and running, publicize and promote it.

Include your URL or Web site address on business cards, stationery, brochures, trade advertising and other printed material. Issue a press release to the trade journals about the launch of your Web site. Ask your consultant to register the site with online directories and the important search engines. Link your Web site to other companies, trade associations, and professional societies. This can be an invaluable way to attract additional traffic to your web site. A hot button or line of text on another site can be programmed to call up your Web site when the visitor clicks on that item. A high-tech form of cross-promotion, these links can often be arranged between companies or purchased. The more links you can negotiate, the more visitors you'll have viewing your site.

Issue a press release when you make content changes to your Web site.

What Do I Need To Access Information On The World Wide Web?

In order to explore the Web your computer must be equipped with browser software which allows your PC to interpret the documents that exist on the Internet. Netscape and Internet Explorer are examples of browsers.

What Are Companies Providing On The Web?

The Internet is becoming a valuable tool for industry. Many companies already have a dynamic presence on the Web. These corporations offer technical data, sales information, order placement, and email capability for contacting the company online. Among the larger publicly traded companies you can see current investor information as well as business news.

Where Do I Begin Searching For Information?

You can use your browser to access individual Web sites or a wide variety of search engines. In starting the search process remember that search engines categorize information in a variety of ways. You may wish to use the biggest, most powerful search engines such as Yahoo, Infoseek, Lycos (www.yahoo.com; www.infoseek.com; www.lycos.com) to find industry-specific search engines, which will narrow your focus and help your search.

What Other Sources Can I Locate On The Web?

In addition to the focus of this article, you can find related sources such as equipment suppliers, engineering firms, consultants, trade associations, professional societies, government regulatory agencies and universities also on the World Wide Web. Many of these sites offer business news, environmental issues, sources for competitive intelligence and library searches.

Conclusions

Your first step is to develop a Web site for placement on the Internet or World Wide Web. We recommend that you hire a web consultant with your industry's experience to guide you through the development and launch of your Web site. The consultant can develop your site to include graphic treatment, table of contents page, technical literature, sales information about the company and a mechanism to transmit email. The online World Wide Web service provider should be screened by the web consultant for its capability in hosting your site.

Next, for your Web site to be effective, the site should be registered with the major search engines and listed with the Online Marketplace companies serving your industry.

Prospects and customers will not visit your Web site unless they know it exists. Thus, the promotion of your Web site is vital to success. Press releases and use of the Web address on all advertising, literature and stationary are vitally important for increasing the awareness of your site.

Monitoring your Web site should be undertaken to determine its effectiveness. For example, a simple counter-tracking device to count visits can be installed with the help of your service provider. The use of a giveaway or a survey can be used to evaluate the presentation.

Maintenance, the last element in our five basic steps, is key to a successful Web site. Hire a service provider for your Web site who can maintain the content when it is to be revised with new technical data, or sales information. The host server should also be one who is investing in new technology.

Follow these guidelines and your company will enjoy a competitive edge in the emerging information age the Internet brings to today's manufacturer.

Atlantic Canada Trade ToolKit

Summary Booklet

INTRODUCTION

The ACOA Trade ToolKit Summary Booklet includes diagnostics and contact information that will be useful to you and your clients in assessing export readiness and preparing to move to the next stage of the export process.

More complete information can be obtained from the main ToolKit or the Web site page which lists various sites dedicated to the export development process.

1.0 The Ten Commandments of Exporting

Successful exporting involves some fundamental rules which companies should not ignore. They are:

1. *Develop a thorough export marketing plan and make it an integral part of the overall business plan.*
2. *Commit dedicated resources to the export drive.*
3. *Choose your export partners (e.g. agents, customs brokers) with care.*
4. *Never give your export customers second class treatment, ensure they receive the same high quality of service offered your domestic customers.*
5. *Focus on specific markets and opportunities, don't take the shotgun approach.*
6. *Consider the export market of equal importance relative to your domestic markets.*

7. *Modify products and services to meet the needs of the offshore market.*
8. *Be aware of the differences between Canada and its culture and language and those of your target market.*
9. *Use export specialists, such as the banks and freight forwarders, don't try to do everything yourself.*
10. *Look for new ways to do things, don't assume the methods tried and true in Canada will work overseas.*

2.0 Assessing Export Potential, A Diagnostic

Experience shows there are seven areas of importance in determining if a firm is ready to tackle the export market. Companies which do not take a careful and objective view of the export readiness of their organization and product or service, and remedy their shortcomings, are unlikely to succeed in the export market. A diagnostic checklist for each of the seven areas appears below:

1 Management Commitment

- ☐ *Does senior management understand the benefits and costs to exporting?*
- ☐ *Has senior management developed clear goals and objectives for the export drive?*
- ☐ *Is senior management willing to devote a significant amount of time to the export market?*
- ☐ *Has senior management clearly identified individuals in the company who will be responsible for export marketing (e.g an export marketing manager)?*
- ☐ *Is management prepared to allocate sufficient funding to support the export drive?*
- ☐ *Is management prepared to wait for the benefits of export marketing to be realized?*

2 The Domestic Track Record

- ☐ *Does the firm have a proven, market tested product or service?*
- ☐ *Can the firm point to reputable domestic customers that will vouch for the quality of their product or service?*
- ☐ *Is the cash flow produced by domestic operations sufficient to support the company's export operations for the time required to make them profitable?*
- ☐ *Is the organization's domestic operation well enough established to continue to thrive while management time is directed to the export market?*

3 Market Planning

- ☐ *Does the firm have a written export market plan?*
- ☐ *Was the export market plan developed with input from all relevant staff members?*
- ☐ *Does the market plan include specific, quantifiable objectives?*
- ☐ *Has provision been made in the plan for contingencies and feedback?*
- ☐ *Have specific markets been selected?*

4 The Finance Equation

- ☐ *Is the firm's present financial position sound?*
- ☐ *Does the firm have a financial plan covering export market development costs?*
- ☐ *Are sufficient funds available for exporting?*
- ☐ *Can the firm develop an export costing sheet?*
- ☐ *Is the firm able to wait for payment?*
- ☐ *Does the firm have a source of patient capital, i.e. financing that does not require short term returns?*

5 The Right Product /Service

- ☐ *Does the firm have a proprietary product or service?*
- ☐ *Does the firm have a unique production process?*
- ☐ *Does the firm's product have special features that are perceived as valuable?*
- ☐ *Does the product have special packaging or presentation features?*
- ☐ *Can the firm offer better delivery than competitors?*
- ☐ *Does the firm have an advantage in after-sales servicing?*
- ☐ *Does the firm offer attractive financing?*

6 Gearing Up Production

- ☐ *Does the firm have established and efficient production for domestic markets?*
- ☐ *Does the firm have initial excess capacity to serve export markets?*
- ☐ *Is the company able to handle a sudden rise in demand?*
- ☐ *Does the firm have a reliable supply system?*
- ☐ *Can the company handle the logistics of getting product to export markets?*
- ☐ *Does the firm have plans to handle longer term increased production levels?*

7 Management Knowledge of Export Marketing

- ☐ *Does the firm have export experience in the management team?*
- ☐ *Is the firm experienced in the technical aspects of exporting?*
- ☐ *Have company staff participated in or visited international trade fairs?*
- ☐ *Are members of the staff familiar with foreign cultures and business practices?*
- ☐ *Does the company have contacts in the export community?*
- ☐ *Does the firm know where to get people with the right export skills?*

3.0 Developing an Export Marketing Plan

Market planning is a key ingredient in initial success in the export market. Formulating an export strategy based on good information and proper assessment of both the company and the marketplace increases the chances that the best market options will be chosen. The market plan outline given below can be used by the new to export firm as a guide to preparing their first export plan:

I Introduction: Why Should this company export?

This section should provide the basic rationale for why the company should export. The reasons should be profit oriented and fit with the company's overall business plan.

II Situation and Background Analysis

Describe the company, its internal resources and the structure of their industry. Sections should include descriptions of:

- product or service
- current operations
- proposed export organization
- industry structure

III Marketing Component

In this section the firm identifies how it will select and service target markets. Specific sales and profit targets should also be set. Sections should include:

- identifying, evaluating and selecting target markets

- product selection and pricing
- distribution
- terms and conditions of sales
- internal export procedures
- sales goals

IV Action Steps

In this section the company identifies its primary and secondary target markets and describes how the market will be approached and developed. Information should be developed for each of:

- primary markets
- secondary markets

V Export Budget

In this section the firm should prepare a budget for their export drive including clearly identifying where the money will come from. Sections will include:

- marketing budget
- product or service development budget
- manufacturing budget

VI Implementation Schedule

In this section the company develops firm time lines for its export drive.

- marketing schedule
- production/service schedule

- dates for management reviews

VII Feedback and Evaluation Mechanisms

In this section the firm discusses how it will develop feedback on the export drive and how it will be evaluated.

4.0 Getting Paid

As firms come closer to their first export sale the issue of payment options becomes critical. All the work put into preparing and executing an export plan can be wasted if customers do not pay on time or at all. Canadian firms generally use one of four methods of payment. The following table describes the important aspects of each:

Method of Payment	When Seller is Paid	Risks to Seller	Risks to Buyer
Payment in Advance	Before goods are shipped/ services delivered	No payment risks	Non-performance by seller
Letter of Credit	Normally on shipment of goods or delivery of services	Inability to produce correct documentation to obtain payment from bank	Goods or services not as called for in commercial contract
Bank Collections	Upon payment of the buyer to the collecting bank	Failure of buyer to pay collecting bank and need to dispose of goods already shipped	Goods not as ordered
Open Account	Upon payment by buyer	Failure of buyer to pay for goods or services already delivered	No risks

Shipments to the U.S. and western Europe most commonly use open account terms while more secure payment terms are common in other parts of the world. Firms should take advantage of the international services provided by the Canadian chartered banks, the Export Development Corporation and the Canadian Commercial Corporation. A list of important telephone numbers follows:

- International Trade Centre, **Royal Bank of Canada**
  Tel. (902) 421-6148

- Trade Finance Centre, **Canadian Imperial Bank of Commerce**
  Tel. (902) 428-4659

- International Trade Service, **Bank of Nova Scotia**
  Tel. (902) 420-6089

- **Export Development Corporation**
  Tel. (902) 429-0426

- **Canadian Commercial Corporation**
  Tel. (902) 426-3882

5.0 Trade Shows and the New to Export Company

Trade shows are often an excellent tool to assist the new to export company break into new markets. There are literally tens of thousands of shows each year of which perhaps 150 are of international significance. Given the cost in time and money of attending shows in countries such as Germany and Japan it is important for firms to carefully evaluate their participation. Important questions to ask include:

- ☐ *Why does the company want to attend the show?*
- ☐ *Who has attended the show in the past?*
- ☐ *What do previous exhibitors and attendees think of the show?*
- ☐ *What is the show, or the show manager's, reputation?*
- ☐ *What does the show manager do to help attendees and exhibitors?*

Many firms question whether they should simply walk a show or actually exhibit. Given the costs and the fact exhibiting sends a signal that the firm is ready to do business in that market (often not the case) most first time trade show attendees are advised to simply walk the show. They should do so in a professional manner, however. Walking the show allows companies to evaluate the competition, see new technology and meet potential customers and agents. Five key guidelines for getting the most out of a show are:

- Decide why you are attending the show.
- Select the right show to attend.
- Set objectives before attending the show.
- Cover the show floor efficiently, don't just wander.
- Get the most out of each exhibit, don't be distracted by giveaways and products you are not interested in.